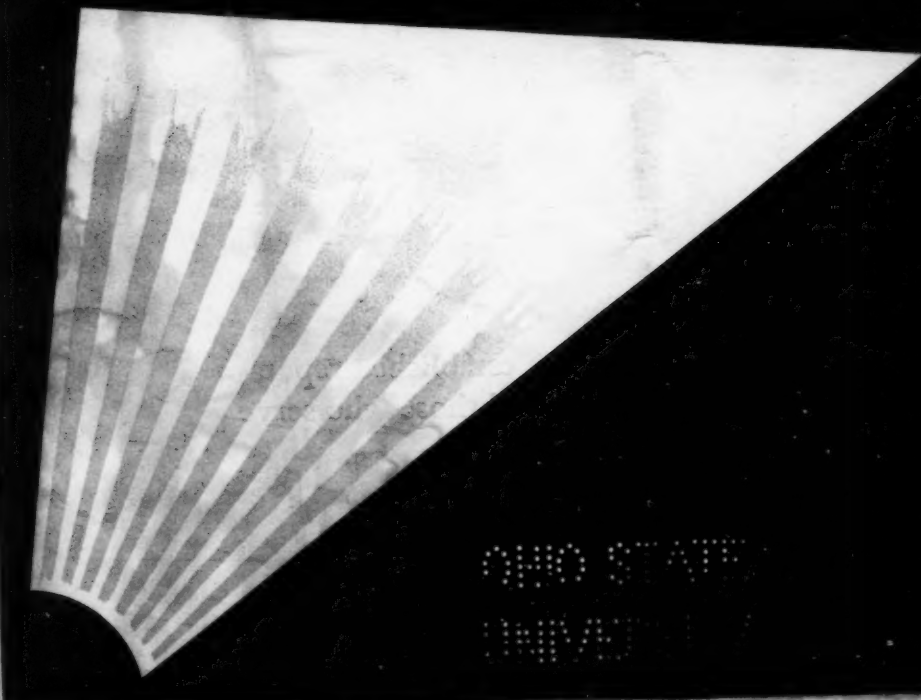


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# The CREDIT WORLD



OHIO STATE  
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"As the Twig is Bent"

Vol. XIX No. 1

SEPTEMBER, 1930

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He is a leader who leads. Make this your opportunity to lead a credit class in your community. Nothing that you can do in life will rank as greater service to your profession than this little aid rendered to younger people struggling to acquire the knowledge that equips them better for their work and consequently gives them greater happiness and prosperity.

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H. A. GRIMM

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I would like to convince every credit man or those interested in credit work reading this advertisement that they could not spend their time in a more profitable manner than by taking the course provided by the N. R. C. A.

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#### NATIONAL RETAIL CREDIT ASSOCIATION

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Signed.....

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HOW TO COLLECT ACCOUNTS  
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LEGAL PROCEDURE  
PLANS TO ATTRACT NEW BUSINESS



### Retail Credit Procedure

by NORRIS A. BRISCO

in collaboration with

**The Associated Retail Credit Men  
of New York City**

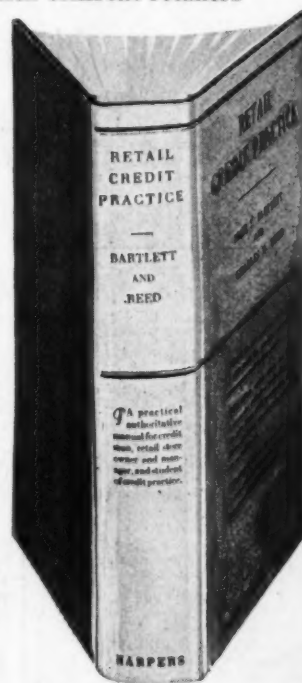
Based on the actual experiences of these successful credit men, this book solves the problems which confront retailers from the moment the prospective customer says, "I would like to open a charge account."

This book was selected by our Educational Committee as the official class study text.

### Retail Credit Practice

By Bartlett & Reed

A practical, authoritative manual for retail store credit executives and students of credit practices.



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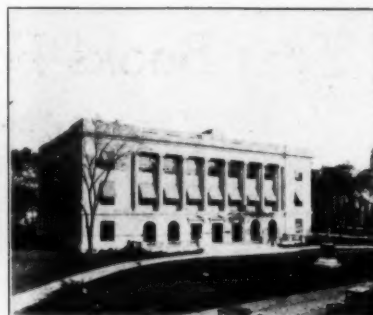
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There will be Auto Rides for those who wish to see Sedalia and interesting points nearby.

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# THE CREDIT WORLD

Official Magazine of the National Retail Credit Association

SEPTEMBER, 1930

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No. 1

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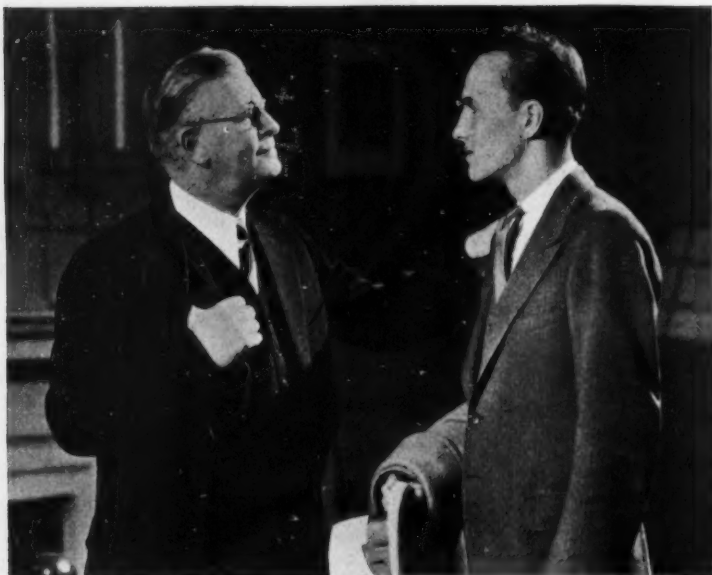
This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

CHANGE OF ADDRESS: A request for change of address must reach us at least one month before the date of the issue with which it is to take effect. Duplicate copies cannot be sent without charge to replace those undelivered through failure to send this advance notice. With your new address it is absolutely essential that you also send us your old one. Application for transfer of second-class authorization from Mount Morris, Ill., to St. Louis, Mo., is pending.

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EDITORIAL OFFICE

1218 Olive Street, St. Louis, Missouri.



*Son, don't make the same mistake I once did.  
Treat your credit as a sacred trust.*

## AS THE TWIG IS BENT ..... So Grows the Tree

YOUTH, shaped by the forces of daily experience, is eager to find a place in the arrangement of modern activities and perform some service. Just as youth must be carefully reared to take hold of the reins of mature living so must it be wisely tutored in the tenets of personal obligations. It is no barren thought to adopt the sagely saying that, "As the twig is bent so grows the tree," for the influences of the parent are passed on to the next generation. In all matters actuating improvement in living, in the commercial and industrial fields the world is striving to stamp out wastes which squander wealth and weigh the burdens of executives. Education is the greatest moral force that intelligent people utilize to mend human ways. It is a cure-all for our economic and social difficulties and the many avenues which it uses to reach the needy make it an omnipotent force.

Human nature wants to observe the rightful aspect of credit for even the young mother, taking her boisterous child into a store, cautions the roving youngster not to take things attractive to his eye since they are the property of the storekeeper and are for sale. The obligation is taught as a moral force, a distinguishing condition between right and wrong.

The home is the greatest school in the world and those under its roof, though not honored with flowing robes and oddly lettered degrees, mould the destinies of the nation. Here education may be called the hand method for it is constantly improvised to fit every individual need. No matter what environment may do there are lessons taught which most of

*The home is the greatest school in the world and those under its roof, though not honored with flowing robes and oddly lettered degrees mould the destinies of the nation.*

us carry the balance of our earthly existence and never forget.

Maturity is not a state of experience to be regulated by legislature, rather it is the approval placed upon the ability of human actions to understand restrictions placed upon it. The young man leaving for college may be fully grown, an excellent specimen of physical development, but does he know what the world will expect of him? When he has learned those lessons, many which pass from father to son, and he can adopt those personal laws of habit, he is mature. The seed of truth, however, must be planted in fertile soil and nourished to ripe and permanent understanding. Practice is the sole proof.

The opinion expressed by an eminent technopsychologist regarding the modern-day character of American people in the matter of owing money is a serious indictment. He says, "To owe money no longer creates any feeling of dissatisfaction or uneasiness. The older urgency common to people of an earlier generation never to buy more than they could immediately pay for no longer maintains itself in our times. A state of perpetual indebtedness is being looked upon as a natural and normal state of affairs." To be in debt is not a vice, but to be in a state of perpetual indebtedness most certainly is. Some merchant is holding the sack. If this is a normal state of affairs the only cure is education, and the place to start is with the young—disparage the tendency to make light of the fact of being in debt. Appeal to the pride and develop the idea that those people are superior who pay their bills promptly and "treat their credit as a sacred trust."

*The cover of this issue, from the brush of Studley Burrows, Chicago's well known poster artist, is the contribution of the General Outdoor advertising Company. Both Mr. Ed Meade and Mr. Arthur Siegel are due the thanks and appreciation of the association for the splendid piece of work they have furnished. Such a publicity message, so direct and so compelling, stands as a lasting monument to the fostering of credit obligations . . . from generation to generation.*





# CREDITORIALS

(Reg. U. S. Patent Office)

## This Business of Collective Action

By LOUIS SINCLAIR GRIGSBY

General Manager

PHILADELPHIA CREDIT BUREAU

**O**VER eighteen years ago, several credit men with unlimited faith, sat down in the Far Northwest and organized what is now known as the National Retail Credit Association, with international affiliation, proud of a membership of sixteen thousand progressive retailers.

Was the thought new? What had gone before to lead one to believe that merging the thoughts, ideas and ambitions of thousands of men and women engaged in selling on credit, would accomplish a purpose?

Let us examine other attempts at centralization of energy and weigh the results.

AN ARMY lay without the walls of a fortified city ages ago, no chance of breaking through. Got organized more than ever, built a wooden horse and thus ambushed together were PULLED in and we recall the Fall of Troy.

ULYSSES decided several heads were better than one, had himself strapped to the mast, all hands stored up resistance, and thus sailed past the sea sirens of long ago.

COLUMBUS had a bright idea, but without the co-operation of the Queen and numerous optimistic men and women, the PINTA, NINA and SANTA MARIA would not have set sail for the West in 1492.

WHY, even Miles Standish couldn't get organized in his courtship until he collaborated with John Alden.

THOMAS JEFFERSON wrote the Declaration of Independence, but it had to have the signatures and support of plenty other men before it was seriously considered.

HUNDREDS of soldiers trudged through the snow and ice with bleeding, bare feet and tattered clothes at Valley Forge to make Washington's Continentals a force in world history.

AND, BY THE WAY, thirteen colonies by consolidation, started this enormous demonstration of central effort—THE United States of America.

ABRAHAM LINCOLN freed the slaves by proclamation, but it took thousands of Federal soldiers and sympathetic women to make it formal.

JUST as in the South, Jefferson Davis and Southern gentlemen, and stout-hearted women combined to resent the infringement on rights and privileges of living.

SPAIN was powerful with Cuba until we merged effort and well, an island republic is the result.



GERMANY followed orders of the All-Highest until nation after nation joined hands and ARMS to make the world safe for democracy.

PRESIDENT HERBERT HOOVER, as Food Administrator in those dreary days, could not have shown such remarkable results in relief and conservation without the sympathetic, whole-hearted support of the nation.

And so it goes—look where you may, delve into history, sit back and think, pick up the newspaper. Always—everywhere, you see the results of men joining together, pooling intellect, energy and initiative for the good of all.

In the same proportion will the National Retail Credit Association succeed in the extensive program of service, outlined by President McMullen, administered by the headquarters staff and supported by the entire membership.

Will it work? Certainly. Has this idea been successful before? Figure it out for yourself.

Let's go. No "passing of the buck" individually. Go out now and enlist two new members to receive the benefits of collective thinking concerning the most essential element of merchandising—modern retail credit extension.



### Where is Business Headed?

#### I... Are We Keeping Up with Progress?

mediately they purchased several more of these business aids.

You and I read this curious news item with a feeling of unbelief. Our business is surrounded upon all sides with a maze of office machinery—book-keeping machines, check protectors, stamp affixers, envelope sealers, addressing machines, automatic typewriters, multigraphs, and a long list of others—and we are scarcely able to believe that so important a French governmental department has just arrived at the typewriter stage of progress.

But before we give way to merriment, let's pause a moment and take stock of our own business. Are we ourselves keeping up with progress?

The other day the French Palace of Justice purchased a typewriter and hired a pretty mam-selle to operate the new-fangled contraption. So delighted with the results were the administering officials that im-

It's an important question, for upon its answer we may accurately predict our future success or failure.

If any one thing may accurately be called kaleidoscope, that thing is modern business. Changing consumer demands twirls the glass and business, ever responsive to the call of service and profit, quickly forms itself into new patterns; from the fertile brain of the inventor comes a new device and in a twinkling the entire complexion of business undergoes a transformation. Those of us who fail to adjust ourselves to the new conditions soon drop out of the picture.

Yet business is but the reflection of the public outlook upon life and, as we interpret this outlook, so may we be able to forecast the next progressive steps to be taken by business.

The essence of life today is change and movement. The plains of the past are giving way to the steel and concrete canyons of the present; we are done with raw meat and are turning to extracts and compounds; the easy chair on the veranda is succumbing to the rumble seat; a decade today is the century of yesterday, the hour of tomorrow. We are restless; a mile a minute is too slow so we take to the air and double our speed. The machine age has increased the tempo of life and, as it has accelerated living so has it sped up the business pace.

But machinery, important as it is, is but a part of the change. While we are priding ourselves upon the mechanical perfection of our office, our shop or our factory, while we smile condescendingly at the amazement of the Frenchmen who have just been introduced to the efficiency of the typewriter, are we so sure that our mental machinery is equally modern?

Are we still thinking in terms of hundreds while our competitors are dealing in thousands? Little-ness has little place in business today, and we must

learn to think broadly if we are to keep attune with progress.

Not so long ago there was a great todo about "hand to mouth" buying. We still hear a few echoes of this but, in the main, business has accommodated itself to the new order so that the innovation of yesterday is commonplace today—and obsolete tomorrow. Yet some of us still seem to look upon small but frequent orders with rapid turnover as a new-fangled contraption to be adopted only as a last resort. We are tagging along at the tail end of the race, and are liable to fall out altogether.

And chain stores! How many millions of words have been expanded upon them! Yet chain selling is but one of the manifestations of the quickened tempo of life. It is an effect: not a cause. We who are attempting to do business as independents using the now outworn independent methods are as surely doomed as was the oxcart mode of transportation. Instead of bewailing the change, which is as useless as trying to sweep back the ocean, let's dust the cobwebs from our mental motors, sandpaper the commutators, and turn on the electricity of progress. Chain store methods need not remain a monopoly of the chain stores. They are available to all of us and, if we are truly keeping up with progress, we will take them to our hearts and prosper accordingly.

The business tidal wave which is sweeping the world today is the merger mania. Little concerns grow big, and big ones bigger. Centralization of management, decreased production costs, reduction of overhead—a dozen reasons exist. Those of us who are being left out in the cold, or who stand aloof from these consolidations, may be inclined toward resentment, to look upon these merged concerns as giant octupi whose tentacles are getting a strangle-hold upon our business.

Yet mergers are but another evidence of the sensitivity of business to public demand for speed and service. Lower production costs, decreased selling expense, more efficient management, improved quality—these are not the exclusive properties of mergers. Unmerged, we can effect the same economies if we will. Let's overhaul our mental machinery and fit our business to the new needs of the buying public. If we give it what it wants the public will purchase from us just as readily as from our merger competitor across the street. If our mental equipment is as good as our mechanical equipment we have no need for worry: our time will be occupied by profiting from the progress being made by business as a whole.

Modern machinery and mid-Victorian methods won't work in harmony. Icing alone won't make a layer cake. What we need is mental machinery tuned to the increased speed of the times. We must discard the ideas and methods of the past, else we will ourselves be historical specimens.

Not only must we adopt the new, we must anticipate it. We must foresee the coming changes and prepare ourselves accordingly. Progress consists of staying out in front, ahead of the also-rans. Times change so swiftly that if we change only after everyone else has changed, we will be like the Frenchmen and their typewriters—always at the foot of the ladder.

—E. H. BROWN.

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**WOODWARD AT ADELAIDE**

## Celebration of the Two Hundredth Anniversary of George Washington

EVENTS are fast leading up to the completion of plans for the celebration of George Washington's birthday February 22, 1932, and honoring that great man by a national observance of his life, extending to Thanksgiving of that year.

Over thirty million school children will reap rich memories of this celebration for best known portraits of his likeness and parts of his writings will be made available for distribution. All America and many parts of the world will honor his existence and the heroic part he played in our history.

Congress, through some of its members, many patriotic societies and public-spirited citizens are heading the movement. No exposition will be held, instead a general and national reverence will be participated in by newspapers, periodicals and many other means for disseminating news.

One interesting high light of this celebration is the anticipated public recovery of many letters and other writings known to exist, but never brought to light.



## Researching Retail Credit Conditions

OUR National Retail Credit Association under the arrangements made with the U. S. Department of Commerce, has been able to show for the first time just what credit is to the business of the today. The scope of its use, the extent to which it challenges other forms of business conduct and the errors in its methods have been revealed to the fraternity for study.

A vast amount of helpful knowledge has been placed at the disposal of the business executive to gauge his operations in comparison with the experiences of others.

Most lines of commercial endeavor have been studied and offer much concise operating information for each respective line. Especially interesting is the study of failures of independent grocers in Philadelphia with some insight into their fitness to engage in business. These investigations have revealed the futility of recovery of assets through the bankruptcy court, likewise the helplessness of those laws.

Again the association feels it has been highly instrumental in contributing to the advancement of the retail credit. Whenever it can aid, it stands ready to make other studies as are practical.

## E Pluribus Unum Again

THERE is a tale in the annals of ancient mythology to the effect that a certain warrior withheld from the earth by force by the enemy, gradually weakened and was quickly overcome regardless of his original strength. Today we use one brief word to imply the value of personal acquaintanceship and encounter—contact. This is almost a watchword.

A greater association of retail credit men is needed for the strength of greater combined abilities is foreseen to master the advancing problems on the horizon. Literally thousands who should participate in this association are sought for what experience they can bring to it, for the good that they can do for retail credit and for increased prestige which comes from the expansion of progressive policies.

Mindful that it must take the initiative the National Retail Credit Association will shortly foster plans to expand its usefulness to those retailing groups not yet members of this body. Prompted by the thesis that expansion will aid more retailers, thereby bringing greater profit to the retailing interests, it stands to reason that some effort toward publicising the merchandising world must be undertaken to encourage additional membership. By greater membership we shall have a greater association.



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# RETAIL CREDIT AS A



*Credit is as fundamental as our civilization itself. Credit understandings arise spontaneously between children in their play.*

CERTAINLY the title subject will strike a note of understanding in the minds of many business executives and credit men and women who read it. One could travel from pole to pole and in his travels, talk of everything from Aladdin's lamps to brick-bats and yet not speak of anything which was not in some way linked up with retail credit. That, in a figure of speech, describes the field of retail credits. It gives some idea of the extent to which retail credit has imbedded itself into our lives.

This discussion will be confined strictly to the practical aspects of retail credit. In pursuit of the title, we will try honestly to determine to what extent retail credit is a factor in developing business.

Credit is as fundamental as our civilization itself. Credit understandings arise spontaneously between children in their play.

Credit in theory, and as we know it today, reaches back as far as the sixth century. The whole system of credit was originated by the Romans. A long series of illustrious lawyers had brought the theory of credit to a state of near perfection. Their doctrines were declared to be law in the great code of Roman Law, called the *Pendects*, published in the early part of the sixth century. Those doctrines have been the mercantile law of Europe, except England, for thirteen hundred years.

This great Roman theory embraced what we know as retail credit. Credit, fundamentally, is a simple and human thing. A buyer obtains, in the present, goods or services, with a promise to pay in the future.

The seller relies, for security, upon the buyer's promise.

Retail, as we commonly understand it, is the selling of goods or services on comparatively small quantities. Retail credit, therefore, can be accepted to mean buying and selling comparatively small quantities of goods in the present, with the buyer's promise to pay in the future.

We ordinarily understand, by the phrase "developing business," the increasing of sales or calls for goods or services with resultant profit to the seller and satisfaction to the buyer.

Our title subject, then, reduced to its essence, involves the sale, on credit, of goods or services to consumers, with profit to the seller and with complete satisfaction to the buyer. Incorporating those requisites into our title, we have a title something like this: "Can retail credit safely increase our sales volume and profits and if so, how?"

In attempting to answer that question, we must consider four major points, as follows: First, can retail credit increase our sales volume? Second, can we grant retail credit without raising the price of our product or service to the ultimate consumer? Third, will the granting of retail credit react favorably or unfavorably to our national economic system? Fourth, how can the above three points be guided so that they will bring us increased profits?

Now, our lesson is assigned. We have four definite questions to answer and we will discuss them in their proper order.

First, can retail credit increase our sales volume. What is necessary to bring about a sale of a service or a product? There must be a need or a desire for that product which is strong enough to cause action and there must be enough money to buy the desired thing. By the use of retail credit one of those requisites can be slightly altered to make buying easier. Instead of limiting it to money, it can be said that there must be enough money or credit to buy the thing desired. Credit, in this instance, is a valuable and ready substitute for cash.



# FACTOR IN DEVELOPING BUSINESS

An essay

By EDWARD L. BAKER

Retail Manager

Peerless Coal Company  
SALT LAKE CITY, UTAH

In order to see this in a more graphic light, take two definite examples. First we have the ordinary cash buyer. We will call her Mrs. Cash. She enters the store, purchases one or two articles and leaves. The sales-person takes the money and the transaction is closed. As Mrs. Cash walks out of the door, her relations with that particular store are ended until she sees fit to make another purchase there. Undoubtedly, had this lady a charge account, she would have responded to the appeal of various departments and lines and made several purchases. Now, in this example, suppose that Mr. Cash is the only member of the family having a regular and dependable income. (The average number of wage or salary earners per family in our entire nation is 1.64, so the supposition is safe.) The Cash family has not saved a large amount of money. They probably have a savings account of some \$200.00, which was the national average in 1927. This amount of money has been carefully laid away and they will hesitate to draw upon it. But suppose a temporary injury or illness is imposed upon the breadwinner of the family. What happens? They immediately realize the inadequacy of their savings to tide them over this emergency. In an effort to stretch the money out over as long a period as possible, they curtail all purchases of anything except the barest necessities.

A large number of such cases are occurring daily, resulting in loss of sales to the merchant.

Now the sound example is built around Mr. and Mrs. Charge and their family. Suppose that they have been carrying charge accounts. They probably have three or four accounts now: one grocery account, probably one meat market account, one department store account and probably an installment account or two for a radio and furniture. They have, in the past, met their obligations with a fair degree of promptness. In this case, when the breadwinner is temporarily incapacitated there will be no serious interruption of the family purchases. Luxury lines might drop off, but the common commodities will be purchased as usual. *And they will be paid for promptly.* The account will not run longer than the average for the community. Notice, that one of the conditions above was that the family had been carrying charge accounts and

had always paid them with promptness. Some credit men might question the wisdom of selling Mr. Charge when he is ill, but I believe we can safely

challenge such a credit man's opinion. The American citizen, Mr. Charge, has learned to buy on the expectancy of future income. That he is justified in such expectation and that merchants can safely sell him is evidenced by the satisfactory

and in many cases remarkable performance of thousands of credit granting stores throughout the country.

There are many other ways in which retail credit can increase sales. For instance, credit department records are used in getting charge customers to buy in more than one or two departments. This is due to the fact that credit department records give complete record of a customer's purchases, showing which departments are being used and which are not.

In THE CREDIT WORLD, December, 1929, a story was presented giving the methods used by a large department store to promote sales through its credit department. The credit department furnished information showing what departments are being used by customers and what articles are bought in each department. Under that plan, each department can work aggressively to sell its line to charge customers. Take a specific case.

Assume that the hat department is featuring a special on spring hats. A clerk will pick from the records of the credit department the names of all charge customers who have not bought a spring hat recently. Forthwith, Mrs. Charge Customer will receive direct-mail appeal telling of the remarkable values in the store's hat department. That opens the way to sales. The same procedure is used in all departments with very satisfactory results.

Using the above factors as a guide, we know that retail credit can increase our sales volume.

If business is to be built soundly and show a constant improvement, prices to the consumer must be kept at a minimum. We therefore must answer the second point of this discussion, namely, "Can we grant retail credit without raising the price of our product or service to the ultimate consumer?" The answer is emphatically in the affirmative. Several methods are in use for computing sales prices, but into any one of them sales costs,

(Continued on page 32)

*"Can we grant retail credit without raising the price of our product or service to the ultimate consumer?"*

*The answer is emphatically in the affirmative.*



THE local merchandising of lumber offers many interesting fields for investigation. There are approximately one thousand yards in Kansas, representing an investment of a large amount of capital. The amount of initially invested capital necessarily varies with the size of the town, the type of yard, and the character of the territory served. One may readily borrow money to finance a retail lumber business since the stock carried is tangible, easily evaluated, and fairly stable in price.

The demand for lumber is seasonal because building is done largely during the milder weather of the spring and summer. It is important to keep on hand in the yard a supply of lumber adequate to meet the demand from day to day, yet a surplus should be carefully avoided. Overhead expenses, such as those relating to shelter, insurance and taxes prove disastrous to the operator whose capital is tied up in slow-moving stock.

The rate of stock turnover varies with the size of the yard and with the community in which the yard is located. The existing rates range from a turnover of one in the smaller country yards to a turnover of seven in city operations.

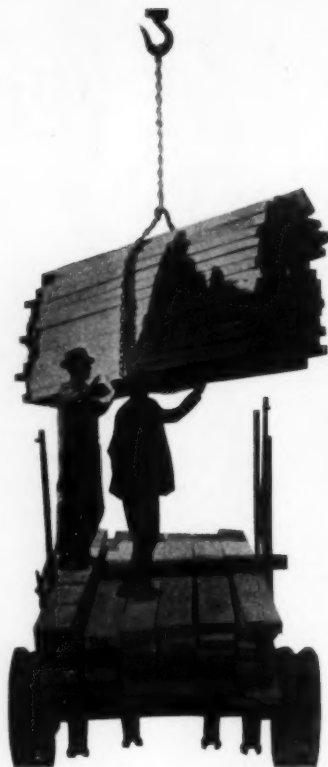
Since lumber is valuable merchandise and is generally sold in large lots for building purposes, credit sales are practically unavoidable.

#### Terms of Sale

The following table shows the terms of sale used by line and independent yards as a matter of general policy on all types of bills and classes of lumber:

Terms of Sale	No. of Line Yds.	Pct. of Line Yds.	No. of Ind. Yds.	Pct. of Ind. Yds.
"Practically cash"	10	3.2	7	8.0
Cash within 30 days	53	17.1	17	19.8
Cash within 60 days	111	35.8	21	24.4
Cash within 90 days	73	23.5	5	5.8
Cash within 120 days	4	1.3	2	2.4
No definite terms	59	19.1	34	39.6
Total	310	100.0	86	100.0

The information obtained from 413 yards in Kansas indicates that a relatively large proportion of



Loading lumber has come under the influence of speed production.

lumber sales are credit transactions. A small number of line and independent yards operate on what they term "a practically cash basis." Thus, a line-yard operator reports that "if a party can't pay his bill or does not know where he can get the money, we do not sell him." This manager reports no losses for 1925. In many cases sales on "a practically cash basis" are undoubtedly short-term credit sales, but since several yards report their business as "practically cash" a separate classification is given to them.

A number of concerns have no definite terms of sale, but decide each case according to the reputation and financial responsibility of purchaser. If the risk seems doubtful, yet the sale is made, a contract usually is drawn up and signed. The contract specifically states the amount of the bill, the times when payment of all or part is expected, and the rate of interest to be charged if payments are not made when due. Unless secured by collateral, the contract seldom extends beyond the legal time for filing a lien.

#### House and Barn Bills

The majority of Kansas retail lumber yards do not require cash payment at the time of selling a house or barn bill. By far the greater por-

tion of sales in the retail lumber business are for the construction of new buildings, the repair of some old structures, or the enlargement or remodeling of a house or barn. The material purchased for such work will necessarily be delivered from time to time during the process of construction. The time elapsing from the beginning of the work until the completion of the job will vary from only a few days to possibly several months.

The job which requires only a small bill of material and for which pay may be expected in a comparatively short time presents little difficulty for the yard operator. The work is soon completed, the contractor is paid, and he in turn pays his material bill. The long job proves more troublesome. In order to finance a project involving a long period of construction, it is necessary for the materialman to have some form of agreement with the contractor or builder regarding payment as construction progresses.

## Credit and Collection Policies of Kansas Retail Lumber Dealers

By THEO. A. SANBORN, B. S.

The School of Business  
UNIVERSITY OF KANSAS



*It is something to be proud of when one knows that the U. S. produces 52 per cent of the world's timber. —Keystone*

The yard should not take too big a risk, yet at the same time the contractor must be dealt with in such a manner as to retain his good-will and to keep him from transferring his account to a competitor.

The payments are usually due when the foundation is in, when the structure is enclosed, and when the job is completed. A large per cent of the reporting yards have no hard and fast requirements which they regularly make, although practically every yard has some more or less formal agreement with the contractor or builder concerning payments as work progresses.

The financial solvency of the contractor or of the individual purchaser is primarily the determining factor in the choice of payment policies. This fact is emphasized by practically every reporting operator. The size of the material bill is not regarded as of first importance by most concerns. An honest, financially responsible contractor who is a steady customer is given almost unlimited credit even by concerns whose terms are seemingly most severe. Many of the firms which report that they have no standard requirements for payments during construction probably enforce some such agreement when the sale is a doubtful credit risk.

### Discounts

Over one-half of the independent yards and nearly three-fourths of the line yards report that, unless the bill is especially large or competition very keen, they offer a discount only for cash.

A number of yards report on the percentage of discounts granted for cash sales. Seventy-two yards allow 2 per cent; 3 allow 3 per cent; 33 allow from 3 per cent to 5 per cent, and 19 allow 5 per cent. One independent yard which allows 5 per cent for cash puts a penalty upon failure to take advantage of the discount by

charging interest upon the portion remaining unpaid after 30 days; another allowing 3 per cent discount for cash charges 10 per cent interest after 90 days. One proprietor reports that he offers 3 per cent discount on bills below \$100 and 5 per cent on bills above \$100; another 2 per cent discount on bills of more than \$5; a third, a graduated discount of from 2 per cent to 10 per cent on bills of \$200 or over; a fourth 5 per cent on cash sales of \$50 or over, and a fifth a discount of 2 per cent on sales under \$100 and 4 per cent on sales over \$100.

### Discounts to Contractors

Inasmuch as contractors are ordinarily the largest buyers of lumber, the discussion concerning the desirability of discounts has centered largely about them. There are a few firms that limit their discounts entirely to contractors, but there are a considerable number that offer discounts to them on the same basis as to other customers.

Only 34 per cent of the line yards and 25 per cent of the independent yards either regularly or occasionally allow discounts to contractors. A few yards of each type grant discounts to sub-contractors. Those operators who favor the practice of granting discounts

say that it makes for good-will, more volume and greater profits. Some retail lumber dealers allow a discount because contractors are the "main business feeders to a lumber business and buy probably 90 per cent of the goods sold." Other dealers allow discounts only when earned by the contractor in "bringing in prospects, making out material bills, collecting accounts and often in the delivering part of the materials." In such cases the contractor performs a service and thus earns a cash remuneration. One yard manager says: "We render our contractor on the



—Keystone



first day of each month as high as six to a dozen bills for different jobs and he gives us one check to cover all. If we had to present a different bill to each of the accounts and wait for the money to be paid at the time or convenience of each customer, we would spend much more than the amount of the discount to the contractor for such services rendered."

Many yard managers believe that the customer and not the contractor is entitled to a discount if any is given, since the contractor is paid for his labor, and that the practice of giving discounts is a poor business policy. "pernicious and productive of no good whatsoever." A general manager of more than 15 yards makes the following statement: "You just start trouble for yourself when you start giving discounts to contractors. They frequently use any concession granted as a means of getting a little better deal from your competitor." Another line manager says that the granting of discounts to contractors or sub-contractors is the "worst practice in the world." Several other operators who have tried the policy report results as "not satisfactory."

#### Liens

The sale of a commodity is only the first step in the transfer of merchandise. The transaction is not completed until the satisfied customer makes the final payment for the merchandise purchased and the account is closed. Selling merchandise and collecting for it are two entirely different processes. In making collections the good-will of the buyer must be retained, but at the same time the firm must be duly insistent upon getting its money. To maintain a balance between these two somewhat conflicting objectives is the aim of every progressive materialman.

Many times the ordinary collection methods fail to bring results, and payments of accounts are not made within a reasonable time. To protect the materialman in such cases, the Kansas law provides what is known as the Mechanic's Lien Act. A lien is purely statutory, and the laws relating to it differ from state to state. Kansas requires no preliminary notice when the contract is made directly with the owner of the real estate. The filing limit is four months after the last item of material is furnished, and the operator must sue before expiration of one year after filing in order to enforce collection. When the sale is made to a contractor, Kansas requires

that he be served notice when the lien is filed. A sixty-day time limit is set for filing, and the operator must sue to enforce his claim within one year after filing.

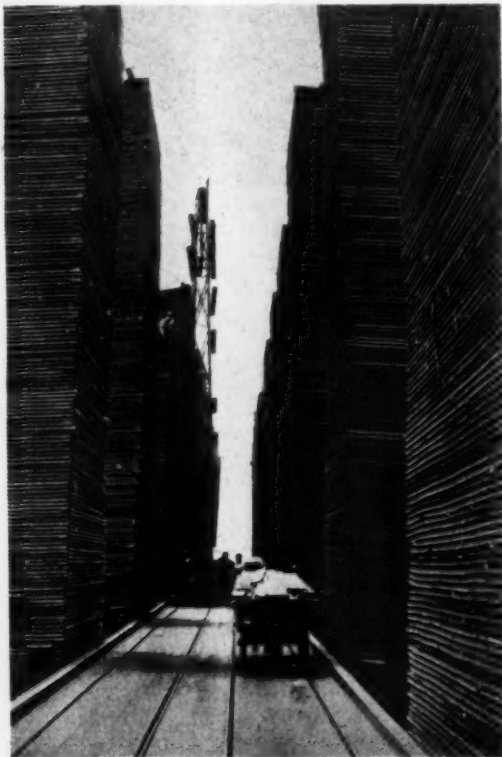
The accounts on which a materialman enforces a lien are usually the hardest accounts he has on his books. They are those which would be impossible of collection without the help of the lien law. It should be understood, however, that the lien law is not a perfect collector and is not adapted to all accounts. Reports from 320 line yards and 90 inde-

pendent yards in Kansas show that only 35 per cent of the former and 16 per cent of the latter file liens on all accounts before the time limit expires. More liens are filed by line yards than by independent yards, probably because line yard managers are held accountable for collections and ordinarily are not permitted to neglect the filing of liens. In fact, it seems not unfair to state that line yards are more strict in all their collection policies than are independent yards. About three-fourths of the line-operated yards use the lien law, as opposed to less than one-half of the independently operated yards. Both line and independent operators are selling too much material to poor-pay prospects. When a manager has to resort to the use of the lien law to collect more than 5 per cent of his accounts, and there are no explanatory local conditions, it is an indication that something is wrong with his credit policy. He should, therefore, overhaul his methods of granting credit.

The percentage of total sales upon which liens were filed in 1925 gives a reasonably accurate picture of relationship existing between the total business transacted by the yards and the use of the lien as a collection instrument. The lien, as stated before, can not be used to enforce payment of all kinds of overdue ac-

counts. Certainly a large percentage of the sales of any properly conducted yard is consummated without any consideration of the lien law being necessary. Most bills are paid promptly when due, many are paid when the sale is made or material delivered. The majority of credit customers whose accounts are carried on the books are "sure pay," so the use of the lien law is never contemplated in their collection.

It is apparent that when the total sales are considered as the basis of computation, the amount of



—Keystone

*Lumber dealers to conserve space now make an automatic piler take the lumber up 70 feet high. The above picture was taken at the largest cedar lumber manufacturing plant in the world.*

♦ ♦ ♦  
*The payments on lumber are usually due at three separate times: when the foundation is in, when the structure is enclosed, and when the job is completed. A large per cent of materialmen have no hard and fast requirements which they regularly make, although practically every yard has some more or less formal agreement with the contractor or builder concerning payments as work progresses.*



business protected by liens is comparatively small. Several of the firms which have not found the lien necessary in their particular communities express their appreciation of the law as a just protection for the materialman and believe it to be essential to the proper conduct of business.

### Filed Liens Foreclosed

It is interesting to note that, of the yards filing liens, 44 per cent of the lines and 85 per cent of the independents induced the debtors to pay their accounts before time for foreclosure. This would indicate that the lien law is a valuable aid to the retail lumber dealer in collecting accounts. There are, however, some dealers to whom the lien law has been a detriment. They have the idea that the law makes it unnecessary for them to use sound judgment in the granting of credit. These operators are inclined to sell "anything to anybody" at any time regardless of credit ratings. The real value of the lien statute to the individual dealer is therefore lost.

### Promissory Notes

The managers of line and independent yards differ in their opinions concerning the advisability of turning past-due accounts into notes. Forty-one per cent of the line operators state that they approve the practice and follow it consistently and 30 per cent report that they occasionally find it desirable, totaling 71 per cent as against the 29 per cent who do not find it effective to convert the doubtful accounts into notes. Fifty-three per cent of the independent operators follow the practice, and 31 per cent occasionally do so, totaling 84 per cent as against the 16 per cent who oppose it.

The advantages of taking a note when cash is not available are numerous: the note is primarily an acknowledgment of the obligation, and removes the possibility of contention concerning the validity of the book-account; it sets a definite date for payment;

*The sale of a commodity is only the first step in the transfer of merchandise. The transaction is not completed until the satisfied customer makes the final payment. Selling and collecting are two entirely different processes. In making collections the good will of the buyer must be maintained, but at the same time the firm must be duly insistent upon getting its money.*

it gives a firmer hold on doubtful accounts; it stipulates the rate of interest, if any is expected, and states when payments are due and payable; it gives the materialman a negotiable instrument which may be taken to the bank and discounted; it renders the debtor liable to court action for non-payment. Objections are raised that, if a man's open account is worthless, his note is no better; that a purchaser is likely to feel that he has met his obligation more or less definitely and satisfactorily when he signs a note and keeps up the interest payments thereon.

whereas he would have no such feeling of security if the terms were left on the open book account; that no one pays a note before it is due; and that acceptance of a note usually lengthens the period of deferred payment rather than shortens it.

When total sales are used as a basis of computation, it is found that 37.8 per cent of the line yards and 33.9 per cent of

the independent yards do not take notes for any of their sales.

### Real Estate Mortgages

The real estate mortgage as a means of enforcing payment of material bills finds more favor among line-operated yards than among those independently operated.

### Chattel Mortgages

The chattel mortgage is an instrument of collection seldom used by operators of either type of yard in Kansas. In 1925, 65 per cent of the line yards and 88 per cent of the independent yards made no use of this form of mortgage, while 10.7 per cent of line and 7.9 per cent of independent organizations used it in a negligible number of instances. Of the independent yards, one used the chattel mortgage to protect 2 per cent of its sales, two used it for 10 per cent, one for 20 per cent, and one for 75 per cent of its sales.

The line yards resort to the chattel mortgage as a means of credit protection more frequently than do

(Continued on page 29)





## "THE HORSE AND BUGGY AGE" COMPARED

By R. L. WILLIAMS

Controller and Credit Manager of the  
BEDELL COMPANY, Detroit

SUCH a comparison truly characterizes the truth that the day of slipshod methods have passed forever and we are in the midst of a more or less hectic age of changing social and economic conditions.

Lindberg and his heroic feat are symbolic of the present age where *youth*, in spirit as well as fact, is putting a mighty force into, not only the smaller tasks, but also the great problems bearing on our very destiny. That our association recognizes this is apparent when the so-called Juniors, many of whom have entire charge of their respective departments, are given the meeting to handle.

The word Juniors in the association means only juniors in responsibility in our respective positions as contrasted with the ones under whom we work, but that the juniors can think and reason for themselves has already been demonstrated. The things we say are said from our point of view, imbued with the modern tempo, and while we can temper our ideas by drawing from the seniors' conservatism and long experience, the senior may provide himself with a new spirit and knowledge from the junior. Thus the one does not fail through ultra-conservatism and the other does not over-step too far with unreined radicalism fostered in our modern cosmos of change.

Alfred Sloan has said, "The wave of change sweeps over the unchanging man and washes him out," and whether the modern day is eventually going to wash away the fruit of years of toil and struggle in retailing and its credit depend on the amount of positive thinking and co-operation among merchants and their credit executives. And let me say right here that in speaking of the present day and ideas I am not speaking of the temporary present unemployment conditions and results in Detroit and elsewhere, but I am speaking of the conditions which our policies have brought about over the last five to ten years.

The wave of change has af-

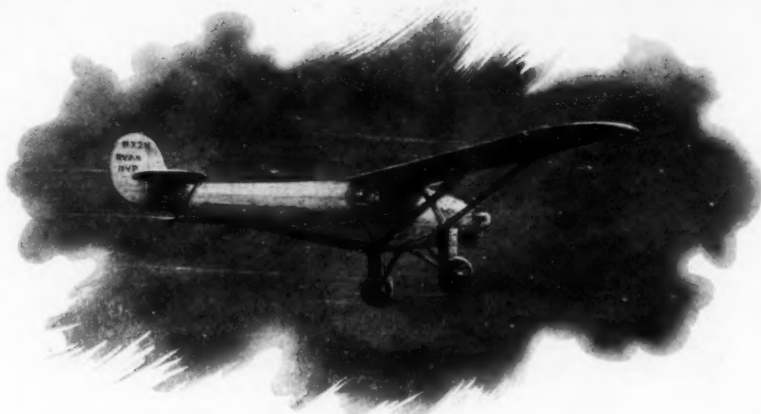
fected retailing as all other branches of industry and commerce, and the result, whether satisfactory or otherwise has been due to the ability or inability of retailer individually and collectively to meet the change. The want of the latter, the inability to collectively meet the change, is one of the motivating forces back of what we say, especially with regard to the extension of credit, collections results, and this association in its relationship to these problems.

Retail credit has, from all appearances, been dragged along to altered conditions to its own detriment rather than taking a beneficial part in an era of reconstructed social organization. True, it has had an active part, but whether or not it has been beneficial to all concerned can only be answered by analysis of some of the results, the most outstanding being the slow turnover on accounts receivable and its attendant costliness. Certainly the 1927-1928-1929 average of collections in most stores will prove anything but a healthy condition. It is and has been installment buying without interest charge or agreed terms and in my humble opinion it is a pernicious condition which needs correcting. A *community credit policy, founded on common sense, is a dire need today*. The lack of such a policy cannot all be laid at the door of the credit manager, but the retail merchants themselves either have not been interested

in, did not realize the need of, or were unable to work out a sound community credit policy, any one of which does not excuse the result.

The gravest mistake a merchant makes is to confuse the convenience and privilege he extends through a charge account, with the actual condition of loaning money, unsecured and without interest. Whether the merchandise is charged or paid for does not increase the consumers' buying power. The present situation, brought about in an effort to stimulate sales, amounts to loaning money without interest





## WITH "THE LINDBERGH AGE" IN CREDIT

to steal volume from the future and divert the consumer to your store today. Within very restricted limits this may be satisfactory, but when every merchant adopts such a policy and it materially affects accounts receivable turnover, it becomes too costly a proceeding and benefits none. Its cost is of the nature of a hidden loss and is not readily apparent, but the analyst must be aware of and point out those things as well as the apparent losses and the merchant must overcome such weakness if he is to stay in business. If the merchants think that better accounts receivable turnover is out of the question, which some have indicated, then it is up to us to work out and *present to them for their consideration* a sound method of carrying charges and a more sensible method for the extension of credit. At least, we are duty-bound to give them the facts and urge them to *cease competing in terms of credit*. The merchant has said that he expected the credit manager to sell all the merchandise that is possible on credit and see that money is collected, but he omitted the word "speedily" in an age of speed.

According to Mr. Forbes, "You must prove yourself a profitable investment for your employer, or why should he keep you? Don't be at all afraid you will make yourself too profitable." Certainly the "horse and buggy," "down-trodden," "clerical," "necessary evil" credit manager never has been a profitable investment to the merchant or anyone else. Credit has become so specialized and important in retailing that the merchant must have a keen, analytical broad-minded executive with backbone enough to be a profitable investment, and the merchant must take him into his confidence in matters of extending credit, sanely consider his findings, and even be guided by them. Such an executive in charge of credit must know other things than just how to trace a skip or take an application or bookkeeping methods. He must be well-read and have a working knowledge of our social organization and its problems.

Also he must be acquainted with economic conditions in the community, the nation, and the world at large. Certainly such matters take time and effort, but you only get out of anything what you put into it.

We must take a keen interest in the various credit problems confronting the retailer today. Some of these problems we have already covered and we have tried to emphasize the active part we must take therein, if it is to be profitable investment in time and thought. It must be a positive force in formulating plans and attempting to correct the present evils of our credit structure, through crystallization of the thoughts and trends.

An aid to further effectiveness and collective effort would be a closer relationship between our credit associations and the Retail Merchants Association. Some plan of action should be adopted to bring closer contacts between the two for enlarged interest and understanding and co-operation on the various phases of credit problems. Where difficulties exist, the interchange of ideas and aims is mutually helpful. We must be a guide and an effective influence in matters of credit, else why its existence. The merchants must find it ready and well enough equipped to aid them and they should realize that the experienced up-to-date credit executive can offer much help if they will but call upon him. Where there is no stimulant in this direction, there is no understanding of further interest. Detroit is the envy of other bureaus and

associations in its ability to co-operate on the exchange of information and such an accomplishment is indicative of its latent power to produce other fine, profitable, lasting contributions to the science of retailing in this community, by co-operating to do a better job of granting credit. A poor credit grantor is a serious liability to any community in which he operates, and we certainly do not want to feel that any of us are in this category because of our indifference to the problems which confront us. We can do much toward helping

(Continued on page 35)







## SEMI-ANNUAL RETAIL CREDIT SURVEY

### PRELIMINARY REPORT

By **W. C. PLUMMER**  
U. S. Department of Commerce

**T**HE Department of Commerce recently published the results of a nationwide survey of retail credit which included credit information on more than 23,000 retail establishments doing an annual net business of almost \$5,000,000,000 and representing 27 of the principal lines of retail trade. Upon the completion of this report, the National Retail Credit Association, reflecting the wishes of a large proportion of the retail merchants of the country, requested the Department to collect this "extremely useful information" on a regular basis. The Department, while not able to undertake this work on an extensive scale, found it possible to comply with the request by collecting reports semi-annually for seven types of stores in 24 cities of the country. More types of stores and a greater number of each type may be included in later surveys. The present report is a preliminary one and contains summary material only. In the complete report which is being published in printed form the material is set forth in detail by kinds of stores, sizes of stores, and cities. Complimentary copies of both reports are being sent to all co-operating retail stores.

In setting forth the material in these reports, two viewpoints have been kept in mind. First, that of the business man, economist or government official who is interested in credit conditions as a whole and trends in changing conditions. Second, the viewpoint of the individual business man who is interested primarily in his own business and would like to compare his figures with those of similar establishments.

#### Total Sales

Reports from 523 establishments, representing seven types of retail stores, located

in 24 cities, with total net sales of \$560,708,855 for the first six months of 1930, show that net sales for January-June, 1930, decreased 6.7 per cent in comparison with those for the corresponding period in 1927.

The net sales of jewelry stores decreased 19.5 per cent, which was a greater decrease than that of any of the seven types of stores. All the other kinds of stores showed decreases except electrical appliance stores which showed an increase of .1 per cent.

Considering the total net sales of all stores reporting, by cities, it was found that 21 of the 24 cities showed decreases in total sales. The total sales of the stores of Detroit showed the greatest decrease. Total sales of the stores reporting from that city decreased 16.5 per cent for the first six months of 1930 over the corresponding period of 1929.



*Credit sales increased slightly over cash sales during the period of this survey. Installment sales made up their total increase for the period during the months of January, February and March, but declined slightly over last year in April, May and June. Women's specialty stores led all other stores in the amount of business done on open credit over cash.*

#### Credit Sales

Credit sales increased slightly in proportion to cash sales during the periods studied. Open credit sales (regular charge accounts) were 48.3 per cent of total sales in 1929 and 48.9 per cent in 1930. Installment sales (deferred payments) were 10.4 per cent of total sales in 1929 and 10.5 per cent in 1930. While installment sales showed a slight proportionate increase for the six months period of 1930 over the corresponding period of 1929, this increase occurred during January, February and March. It is interesting to note that installment sales declined proportionately in April, May and June, 1930, over the same months one year ago.

Women's specialty stores did a larger proportion of their business on open credit than any other type of store included in the survey. The



figure for 1929 was 64.4 per cent and for 1930, 65.1 per cent of total sales on open credit. Furniture stores did a larger proportion of their business on installments than any other type of store. The figure for 1929 was 58.4 per cent and for 1930, 58.9 per cent of total sales on installments. Considering both types of credit, open and installment, furniture stores did the largest proportion of business on credit. In 1929, 90.8 per cent of sales were on credit and in 1930, 91.1 per cent.

In this connection, it should be remembered that retail prices in general have fallen during the period under consideration. The fact that retail sales for these stores in dollars were 6.7 per cent less in 1930 than in 1929 does not indicate that the quantity of goods sold changed in the same proportion.

### Collection Percentages

Collection percentages were computed by dividing the outstanding balance as of the first of the month into collections made during that month, as for instance, if the balance on open credit accounts on January 1, 1930, was \$10,000 and collections during January \$5,000, the collection percentage would be 50 per cent.

The open account collection percentage for all stores for January-June, 1930, was 42.6 per cent. Electrical appliance stores had the highest percentage which was 50.4 per cent.

Collection percentages on installment sales are determined by the life of the contract decided upon at the time of sale and the promptness with which the obligations are met when they are due. The installment account collection percentage for all stores was 15.3 per cent. Men's clothing stores with 36.6 per cent had the highest installment collection percentage. Collection percentages for 1920 were not included in the present survey.

In comparing collection percentages of 1930 with those of 1927 as shown in the National Retail Credit Survey, two generalizations may be made. First, the open account collection percentages of department stores decreased considerably in 1930 in comparison with those of 1927, while the installment percentages of department stores increased considerably during this same period of time. This decrease of open account collection percentages and increase in installment percentages of department stores is quite pronounced and occurred in all size groups where comparable figures were gathered. For example, the department stores with annual net sales from five to ten million had open account collection percentages of 44.1 per cent in 1927 and 40.7 in 1930; and installment collection percentages of 16.6 in 1927 and 19.8 in 1930.

Second, electrical appliance stores showed the reverse situation, that is, the

*Open account collection percentages decreased slightly for the first six months of this year over the same period last year. But the installment percentages increased considerably. The decrease of "open accounts" collections and the increase of "installment" collections were quite pronounced in all size groups.*



JUNE-DEC.

open account percentages increased greatly and the installment percentages decreased considerably in 1930 over 1927. This generalization is likewise set forth with assurance because the changes noted, occurred for all size groups and were quite pronounced. The size group from \$100,000 to \$250,000 was characteristic of the others. The open account collection percentage was 40.3 per cent in 1927 and 51.3 per cent in 1930; and installment collection percentage was 15.6 per cent in 1927 and 12.6 per cent in 1930.

### Fraudulent Buying

Two hundred and seventy-four stores reported on the subject of fraudulent buying. The total amount of charge-off occasioned through fraudulent buying of these stores for January-June, 1930, was \$85,644. This figure was .1 per cent of total net sales.

Classification Kind of Store—	No. Stores	Total Loss All Stores	Per Cent Loss Weighted Average
Department .....	60	\$74,138	.2
Furniture .....	46	1,074	.01
Jewelry .....	33	607	.01
Men's Clothing .....	42	1,301	.01
Shoe .....	27	402	.0
Women's Specialty .....	50	6,199	.03
Electrical Appliance .....	16	1,923	.1
City—			
Atlanta .....	1	000	.0
Baltimore .....	11	2,306	.1
Boston .....	14	12,646	.2
Chicago .....	13	2,904	.1
Cleveland .....	14	5,200	.1
Dallas .....	9	462	.01
Denver .....	7	3,467	.1
Detroit .....	16	17,730	.3
Galveston .....	7	128	.03
Indianapolis .....	5	447	.1
Kansas City .....	9	758	.02
Los Angeles .....	19	6,559	.1
Louisville .....	12	581	.02
Minneapolis .....	11	1,848	.1
New Orleans .....	14	1,250	.02
New York .....	14	5,698	.1
Philadelphia .....	26	2,385	.1
Pittsburgh .....	3	2,497	.2
Portland, Ore. ....	4	530	.03
Richmond, Va. ....	8	260	.02
St. Louis .....	21	8,288	.2
San Francisco .....	6	3,062	.2
Seattle .....	5	511	.02
Washington, D. C. ....	25	6,127	.1
Totals .....	274	\$85,644	.1

### CALENDAR FOR 1930

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

### Fraudulent Checks

Three hundred and thirty-six stores gave replies to the question: "What was the estimated amount of loss through the acceptance of fraudulent checks for the six months period, January-June, 1930?" These stores reported a loss of \$52,264. This amount was 0.1 per cent of total net sales. (See table, "Estimated Loss, Fraudulent Checks," page 33.)

(Continued on page 33)

# "ADDITIONAL Business for Department Stores and Furniture Houses Through Partial Payment Accounts"

By

JOSEPH M. ARMSTRONG

NEW YORK CITY

**For Attention of Executives Responsible for the Sale of Home Furnishings, House Furnishings, Table Needs, Electrical Appliances.**

*In this article Mr. Armstrong outlines a practical plan for promoting home furnishing appliances partial payment accounts. He explains the newspaper advertising required, the mailing enclosures to be used, the compilation of mailing lists, group meetings of department sales people, a follow-up system of letters to inactive accounts, booklets and merchandise literature necessary and method of co-operation with manufacturers, schools and banks, etc.*

TWO recent statements, in *Retailing*, attracted the attention of store executives throughout the country.

One, a financial report, disclosed the news that R. H. Macy & Co., of New York, with a total volume of \$99,000,000 in 1929, had passed Marshall Field of Chicago in the race for retail supremacy.

Just as store owners were taking this news as striking proof that Mr. and Mrs. Consumer, and their immediate families, had come out strongly in favor of cash buying the second statement appeared. This came in the form of a convention speech, by David J. Woodlock, manager-treasurer of the National Retail Credit Association, in which he pointed out that partial payment selling in this country had reached a total of \$6,500,000,000 in 1929.

This would make it seem as though Mr. and Mrs. Consumer were also very much in favor of paying out of income for the things they need . . . not only for their houses, their insurance, their automobiles, but for the things that make modern home life worthwhile, such as electric refrigerators, oil burners, electric sewing machines, vacuum cleaners and radios, as well as furniture, floor coverings, lamps, silverware, china and kitchen appliances.

"But who is getting this pay out of income home furnishings business?" asks the store owner who has not realized that the woman who buys her furs and lingerie for cash at his store may be buying her furniture and lamps, on partial payments, just around the corner.

It is estimated that Macy's did \$10,000,000 to \$12,000,000 on their furniture and bedding floor in 1929. Yet the installment houses of New York do a volume reported to be many times greater than the Macy figures. The installment houses do this business in face of the fact that practically

every New York cash department store and furniture house has a partial payment plan of some kind or other.

What is happening in New York is taking place as well in the other retail centers, large and small, throughout the country . . . the installment house is still getting the bulk of the pay out of income home furnishings business, even though cash stores have long turned envious eyes towards this form of trade.

The trouble with the average store and its partial payment plan is that it is somewhat in the position of the young man who throws his sweetheart a kiss in the dark . . . He knows what he is doing, but no one else does. A great many department stores don't even let their own patrons know that they may have the privilege of a partial payment account . . . so their own customers go around the corner and buy furniture and other home needs at the installment house.

Why the hesitancy on the part of department stores and furniture houses in talking about their partial payment plans?

American business leaders, bankers and economists are almost unanimous in their endorsement of the partial payment idea, as applied to the purchase of articles which add to the health, enjoyment and efficiency of the public.

The American buying public is "sold" on the economic soundness of the partial payment plan of today. The average American family, which pays cash for its apparel needs is very likely paying for its home and automobile on partial payments. Therefore, it is in a receptive mood to a payment plan that will aid in adding to its health, happiness, comfort and the making of work-a-day tasks easier.

Are you fearful about the reactions of your customer who pays cash or "charges it"? Do you wonder if she will continue to buy at a store that sells home furnishings on partial payments? The answer to both of these questions is more than likely to be found in the experience of outstanding stores that have added the partial payment plan to their selling policies during the past few years.

Marshall Field of Chicago, The Eaton Company of Toronto, Selfridges of London, Wanamaker of New York and Abraham & Straus of Brooklyn all report that they are promoting the partial payment idea without affecting their cash or charge account relations with their patrons.

One of the largest stores in New York when it analyzed the applications of its charge patrons found that 16 per cent also had partial payment accounts at other stores, with a strong representation among the installment houses.

A Brooklyn store discloses the fact that 36 per cent of its partial payment accounts also have charge

(Continued on page 28)

# Charging Interest on Delinquent Accounts

By LAWRENCE Mc DANIEL

General Counsel  
National Retail Credit Association

—In reply to some Questions on this subject asked Mr. McDaniel by Mr. Woodlock in a letter of June the Twenty-third

CAN merchants add an interest charge on an open charge account that is past due and legally collect the same without any specified agreement being entered into with the customer regarding same?

The encyclopedias of law all answer this question in these words:

As a general rule interest is not allowed on running accounts so long as they remain open and unliquidated, unless there is some statutory provision that permits it, or some contract between the parties, express or implied, that interest shall be paid.

You will note from the above rule that interest is allowed on open accounts in two ways only: (1) By statute authorizing interest. (2) By contract, either express or implied, between the parties.

We will discuss first the statutory provision. I find the following statute in Missouri and find there is a like statute applicable in many other states. Sec. 6491 of the Revised Statutes of Missouri, 1919, reads as follows:

Creditors shall be allowed to receive interest at the rate of 6 per cent per annum, when no other rate is agreed upon, for all moneys after they become due and payable, on written contracts, and on accounts after they become due and demand of payment is made; for money recovered for the use of another, and retained without the owner's knowledge of the receipt and for all other money due, or to become due, for the forbearance of payment whereof express promise to pay interest has been made.

The Missouri courts construing this statute have held that interest on open accounts from the time of demand made for payment. In other words, before the seller is entitled to interest upon an open account he must make demand for the payment of the account, and on the date demand is made interest at 6 per cent starts to run. The courts have further held that demand for payment does not depend on use of formal words. Any intimation of debtor that payment is desired is sufficient. Hence it

*One of the greatest arguments in favor of interest is that to carry one account while another pays promptly becomes the worst kind of discrimination against the prompt payer, or cash customer.*

Competition in present-day merchandising and the necessity of operating a business on the most economic basis possible requires that expense in operating the accounts receivable department be scrutinized very carefully with a view to reducing the cost of operation. The original purpose of the charge account was an accommodation to the customer, to avoid carrying money and to keep an accurate account of expenditures, all bills to be paid in full the first of the month following date of purchase. Those of our customers who still conform to these terms represent our thirty-day collections. The remainder who take anywhere from sixty days to a lifetime are adding to the already heavy burden which is carried by the retailer, the cash and prompt pay customer, and contribute to the increased cost of merchandising.

would appear that the mailing of a statement of the amount due on the first of the month would be construed to be a demand for its payment and interest under this statute in Missouri and in states having a like statute, would run from that time; the law being that an open account in the absence of any agreement to the contrary, is not due until demand is made for its payment. It has been held that a suit filed is a demand and in the absence of a demand prior to the suit, interest will run from the date the process was served on the defendant. It follows that in Missouri and in states with a like statute, that interest can be col-

lected on open accounts starting at the time demand is made for payment of the account. In event that the creditor and debtor have a written agreement that the account shall be paid by a certain set time after the purchase, it is due at that time and interest will run from the time the account is due as specified in the agreement between the parties.

Now we will discuss the question in those states which have what is known as the common law. Practically all the states in the Union except Louisiana have a statute which provides:

That the common law of England and all statutes and acts made prior to the fourth year of the reign of James the First, which are not repugnant to the constitution of the United States and to the State constitution or the statute laws in force for the time being, shall be the rule of action and decision in the state.

The state of Illinois is what is termed a common law state. Under the common law no interest is allowed in the absence of a stipulation or commercial usage. Therefore, in those states which have the common law and no statute as noted above, interest cannot be collected on an open account unless there is an agreement to pay interest. This may be cured by a provision in the application for credit whereby the creditor agrees to pay interest if the account is not paid when due. It is interesting to note the law of the state where the account is payable governs the question of interest. For instance: A man in Missouri was sued for the payment of notes which were payable at South Bend, Indiana. The plaintiff obtained a judgment but the Court of Appeals refused to allow interest on the notes because under the common law then in force in Indiana, where the notes were payable, no interest could be allowed.

All judgments bear interest at the rate of 6 per cent from the date of judgment.



# The Veering Flaw

..... and he watched how the veering flaw did blow.  
..... then steered for the open sea.

WHILE a more encouraging note is giving strength to the general recovery of business conditions throughout the country we are still in the valley of the cycle.

In general there are three sets of economic conditions that are directly responsible for the present state of affairs. First, there has been an enormous amount of over-production which has not found its anticipated market. Domestic markets have been greatly weakened by the relapse of the farm situation into a state of semi-coma. The mail order catalogues are not being thumbed with the same degree as formerly. Poor prices for farm commodities and still poorer crop returns have subtracted the little wealth the worker had hopes of winning. Exit the farm market. Second, radical reduction in the ranks of workers in order to cut down operating expenses to be comparable with sales receipts, has hit the pocketbooks of the small but every-day buyer. In some cases this step has meant reduction to rigid economy; in others it has caused an absolute stoppage of purchases. Like the waves caused by a tiny pebble tossed into the pond, this shrinkage effect is passed on up the line from retailer to wholesaler to manufacturer. Third, the surplus wealth which could have tided the average man over the worst of such a depression as we are slowly shaking off, is tied up in luxury goods or commodities of similar classification. Automobiles, radios and other outlets for cash have taken up the spare money; the "rainy day" has caught most of us a little short.

With the approach of fall we have the arrival of that season all merchants have had in their vision for the return of better marketing conditions. School children and young people returning to educational institutions have added some impetus to retail purchases for outfitting and supplies. Department stores are anticipated the beginning of their long fall buying season which reaches its crescendo at Christmas and in St. Louis, for example, have added over three

By

H. W. POTE

*The psychological aspect has been against a hurried recovery, but this is changing. Even the average man on the street is voicing his opinion that times are gradually getting better. This is one of the first and the surest signs of recovery. Such thoughts, expressing confidence, passed among the workers, will have a stimulating effect. Then, too, there are concrete indications that improvements are taking place over the country.*

thousand employees onto their roles.

The price situation is still inert. We have today a buyer's market wherein the consumer with his none too much wealth is king. What he wants he buys when he is convinced he receives a true value for the cost. At present there is a noticeable divergence between the declines in wholesale prices and the retail prices which seem to hold firm. That is a difference which the consumer cannot understand and feels should not be allowed to exist. Too much publicity without thorough explanations for changes has been responsible for this reaction.

Looking at the financial network in all of its intricacies it appears that operations are resuming a stabilized condition. The stock market vibrates between a reoccurring strong and weak position which averages fair. Values are now in terms of actual earnings which explains many low prices. During the first week in September fifty-five well known issues reached their new low mark while only seventeen were strong enough to register a new high for the current year. As we have generally experienced in the past, the weakness of the stock market has meant the strength of the bond market. These latter prices have felt considerable improvement. The Federal Reserve Bank in New York has stated that business profits have declined 35 per cent under the first six months of last year which helps to explain the standing of the market.

The unemployment situation reflects spotty recovery, but not enough to wave the caution flag down as yet. While the quarrel with the census whether there is a three, four, five or higher percentage out of work is not one for us to participate in, we at least have some national figures not otherwise available. It seems amazing that 5 per cent of our working population could be the sole cause of our present slump when it must be considered that a mass of some 122 million people must be fed, clothed and

housed in some fashion. Undoubtedly, this is a contributing factor, but not a primary cause. It is a very humanistic sign to see valiant attempts made to correct, perhaps prevent the reoccurrence of this condition in the future.

*How often have voices risen out of the mob defiling the man who heads a corporation, damning him as the master of sweating torture, the extractor of human energy, the driver of weary backs and sore muscles. To be literal, true, the corporation has no soul and how would it as a mere piece of paper be expected to have the sentiments of flesh and blood. But there are men of the flesh and blood type who have souls and they stand for the corporation. It is these men who know unemployment conditions that are now striving to formulate means by which some competence can be set aside for all workers out of their jobs. It is a pioneering movement, not historically new, but it is a splendid thing to put into practice. From all four corners of the world those who study human problems are eagerly awaiting news of the outcome of this new plan. It bespeaks faith in human nature, it has its comparison to a certain biblical act of the good samaritan, and above all it stamps the corporation as possessing man power in its executive class that can throw the soul into the solution of human problems.*

The question, when will business return to normal, is on everyone's lips. No one knows and guesses are a drug on the reading market. Some of the best known

(Continued on page 42)



# D. J. WOODLOCK—Builder

*Search in the nooks and corners of a successful organization and one will find the magnetic personality of an individual who forces without apparently making a show of effort and thus achieves a determined purpose to build a practical machine from the design of cobweb like dreams.*



THE vitality of an association such as the National Retail Credit organization generally comes from one source. Undoubtedly, much credit for the rapid expansion of the association from its early days after the World War to its present growth must be given to David J. Woodlock, Manager-Treasurer and inspiring leader. Gifted with the foresight which recognized a national problem demanding unified attack his efforts in forming the association have been very instrumental in the recognition given to retail credit today.

Man labors for his ends until he can fashion some implement which will ease his load but increase its service. As Mr. Woodlock has been able to build up the association it has been apparent that skilled assistance would be required to handle all of the problems passed on to the executive head. A good leader knows he must soon delegate authority to competent aids, but wise selection and careful training are prerequisites. This leadership, acknowledged as *prima causa* of the National Retail Credit Association success, has now built up a staff which further assures the serviceable advancement in the future.

By wise management the influence of a successful leader remains long after he has passed from the scene. In the coming years the National Retail Credit Association, whatever vestige of historic lore it may shroud around itself, will bear the mark of the man who built it from dreams. As the future traces new movements in the trend of the association's policies and programs, the sub-leaders who have been trained to take their place in the management end will gradually exert their well guided abilities to enlarge the scope of retail credit and carry it onward to a greater goal.

The American Trade Association Executives group has singularly honored Mr. Woodlock in having him head the credit division. This recognition reflects back on our association and is a mark of considerable esteem. The scope of this national association, attacking every conceivable sort of trade problem, brings together such fine management talent at its gatherings that the selection of our Manager-Treasurer is a further indication of his national reputation. From these contacts it is certain that new ideas, the lifeblood of the modern trade association, will exert some



**D. J. Woodlock is chairman of the Credit Division of the American Trade Association Executives.**

beneficial forces in improving the work which it is undertaking.

A constructively educational feature of this Niagara Falls convention will be the Credit Section, Thursday luncheon meeting, September 25th.

This group opens with a luncheon at 1:15 p. m., with Mr. Woodlock, chairman, and although he is a retailer, he has arranged a program covering wholesale, manufacturing and banking credits, and owing to the number and diversification of trades represented, promises to make this session a snappy, straight-from-the-shoulder discussion of credit fundamentals which should make this particular group interesting to every member.

Everyone attending will have an opportunity to bring up his "pet" credit problem.

The following subjects have been listed in the program simply to open up the topics, but everyone can express his views.

"The Trade Association's Part in Bettering Credit Conditions," "Standardizing Terms Among Trade Associations," "Anticipating and Preventing Bankruptcy," "Keeping Posted on Current Credit Standing of Customers," "The Development and Effects of Installment Selling," "Effective Collection Procedure," "The Retail Credit Service Development which won for the National Retail Credit Association honorable mention in the A. T. A. E. Jury of Awards."

Mr. Woodlock will be a popular chairman in handling these subjects in his usual robust manner.

Mr. Woodlock's outstanding characteristic is just that affable good nature which exemplifies the value of a smile.

A smile costs nothing, but creates much.

It enriches those who receive, without impoverishing those who give.

It happens in a flash and the memory of it sometimes lasts forever.

None are so rich they can get along without it and none so poor but are richer for its benefits.

It creates happiness in the home, fosters good will in business, and is the countersign of friends.

It is rest to the weary, daylight to the discouraged, sunshine to the sad, and Nature's best antidote for trouble."

D. J. Woodlock has built a monumental structure through friendliness.

(1)  
Better  
Letters  
Bulletin

Four pages every month. See typical front page illustrated at right.

(2)  
Inactive  
Account  
Letters

This letter and its companion (No. 74) received 711 out of 1896 inactive accounts for Atkinson & Co., Minneapolis. That's 37 1/2 %.

In the following four months these accounts purchased \$9866.33 worth of merchandise.

This letter has been widely copied, stories of other successes appearing in Dartnell Service, Postage and The Mailbag and other magazines.

# THE BETTER LETTERS BULLETIN

Published Monthly for The Retail Credit Men's National Association  
Equitable Building Saint Louis.  
By Daniel J. Hannefin Better Letters Counselor

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Vol. 1.

June, 1927

No. 3.

## THE "HUMAN TOUCH" IN COLLECTION CORRESPONDENCE

Personality—that magic something that distinguishes one individual from another, is too often lacking in correspondence!

Many a man who uses picturesque, forceful language in his ordinary conversation will sit down and write a letter as flat and lifeless as a bride's first cake!

Because, letter writing has suffered from the mental bondage of "precedent". Letter writers have been taught to follow formulas instead of the dictates of common sense. And in following the formulas of so-called "Business English" they have developed dual personalities—one for every day life and one for correspondence.

One of the most pernicious results of these formulas is self-repression—the habit of saying "the writer"—the idea that there's something immodest about saying "I". It is this way of thinking that has set the style for the abominable coldness and formality of business letters.

Forget "Business English"! After all, there's only one English language—and since it is the language of the people, why not use it—and make the most of it?

Your customers are human beings—write to them as you would talk to them. Meet them on common ground—with a "you-and-me" attitude.

This doesn't mean that you should write in an apologetic tone—that you should make excuses for reminding the debtor that his bill is long past due.

Rather, you should take the stand that he knows it's past due and must be paid—and yet, with an understanding of human traits, you should make it easy for him to pay the bill and at the same time give him an opportunity to "salve his conscience" with some excuse of his own!

For instance, you can say:

### BETTER LETTERS SERVICE NATIONAL RETAIL CREDIT ASSOCIATION —MODEL LETTER #63—

FOR INACTIVE ACCOUNTS.

Your Letterhead Here

April 16, 1928.

Dear Sir (or Madam):

"Every question has two sides", runs an old proverb.

And this letter is arranged to get your side of a question that's worrying us.

Here's the question:

Is it through any fault of ours that your charge account has not been used for six months?

And here's our side:

You've been too good a customer for us to let you slip away unnoticed.

We value your patronage—we want to keep you as a charge customer.

And if it's through any fault of ours that you're not using your account here we'd appreciate your telling us "your side".

I assure you, we'll do our utmost to make correction.

The other half of this sheet is yours. Will you use it for your "side"—and mail it back to us in the enclosed stamped envelope.

Thank you!

Proprietor

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*This space left blank for Customer's reply.*

Better Letters

Each issue of the Better Letters is printed on a blue folder-cover (size folder) which will fit into a standard size filing drawer. This Service letter.

## The Better Letters Service

New letters—and for your  
—every month, to monthly  
to revive inactive to increas  
through an account

The busy credit executive *hasn't* time to sit down and write letters—new plans and new letter-ideas, too! Plans that keep him from "going stale" in the daily rush and race.

## What Your Better Letters Service Can Do For You

1. "The Better Letters Bulletin": Four pages every month crammed with original articles on better letters, collection plans, planning letters for faster collection over, letters that talk to customers from their own points, letters that "sell" prompt-payments. And month, *seasonable*, usable business-promotion-letters (See illustration of typical page, upper left corner.)
2. Every month copy for one new and original letter to revive inactive accounts. (See the unusual letter illustration at left). All letters are coordinated with the Bulletin on the same subject.

Order it—examine it for five days and we'll cancel the charge if you don't like it.

NATIONAL RETAIL CREDIT

1218 OLIVE STREET

BETTER LETTERS SERVICE  
RETAIL CREDIT MEN'S NATIONAL ASSOCIATION  
MODEL LETTER #24

OFFERING CHARGE ACCOUNTS TO CASH AND C.O.D. CUSTOMERS

Dear Madam (or Sir):

You've made several cash (C. O. D.) purchases here recently, we've noticed, and I want you to know that we appreciate your patronage.

And to make your future shopping here as convenient and enjoyable as possible, we extend to you a cordial invitation to open a charge account with us.

You'll find a charge account here handy in many little ways:

You can make your purchases without carrying a lot of money around with you— and without the bother of C.O.D. deliveries.

You'll have the advantage of advance notices of special sales, a privilege reserved for charge customers.

And the terms are very convenient— at the end of each month a bill for that month's purchases will be sent you— payable on or before the tenth of the following month.

No introduction is necessary— just present this letter to Mr. Jones, our Credit Manager, next time you're in the store, and he will fix up the account for you.

It will give us real pleasure to add your name to our list of customers.

Sincerely,

President (or Proprietor)

NOTE: Should be signed by Owner, President or Vice President to be most effective.

Caution: Check the letter un-

Copyright 1928

BETTER LETTERS SERVICE  
NATIONAL RETAIL CREDIT ASSOCIATION  
—MODEL LETTER #40—

—FOR OLD ACCOUNTS—

February 7, 1928.

Dear Sir: (or Madam):

Your 1927 account, amount \$56.47, is now nearly nine months past due. Requests for settlement— letter after letter— have brought no response.

Do you realize that by neglecting this account, you are being unfair to yourself as well as to us?

Because your statement, with a few others, was just handed to me by the Collection Manager, marked for final action.

This means, that unless you make some arrangement to take care of it right away your account will be sent to the local Credit Bureau for collection.

With it will be sent the full history of the account, the information that we haven't been able to collect it, and full authority to take legal action, if necessary.

Do you know what that means? The whole history of your account will go into the credit bureau's record, for every merchant in this community to see— today, tomorrow, ten years from now.

Surely you don't want that! And I don't either! I'd much rather help you protect your credit if you'll meet me half-way. If you can't pay it all— you can arrange to pay it off in partial payments— if you'll come in and make some definite arrangement.

I'll withhold action until February 13. Come in, write me or telephone me before that date.

Sincerely,

Credit Manager.

Note: Send this letter by Registered Mail— "Return Receipt Requested"

Copyright 1928 By Daniel J. Hannefin.

(3)

Letters

Inviting New  
Accounts

Every month, copy for one new letter soliciting new charge accounts. See sample at left.

(4)

New  
Collection  
Letters

Copy for six new (and timely) collection letters every three months. See typical letter below. It "cleaned up" the old accounts!

er Letter to you in an attractive  
e fold which will fit into any  
envelope. This Service are standard  
letters.

ers Service

nd for your own letters  
a, to monthly collections,  
ive to increase business  
gh accounts!

own and. So we've done it for him! Not only new  
Plans he can use in every day correspondence—that will  
and ro-

etter description Will Bring You

every "new-business" letter each month. Seasonable, new-  
letters, solicitation letters planned, in conjunction with  
collection, business-promotion articles in the Bulletin, to tie up  
r own regular merchandising events.

And new collection letters every three months. New  
-letter, written from the customer's viewpoint and planned  
ner.) various needs. Each series of letters combined with a  
collection plan in the Bulletin. "Pay promptly—  
ing to terms," is the keynote!

ter ill- original material, written especially for this Service by a  
ulletin, correspondence expert. Subscription privileges limited to  
s of this Association.

five turn it if you're not satisfied—  
narg subscription price \$20.00 a year.

REDIT ASSOCIATION  
ST. LOUIS, MO.



# More and Better Education Must Aid the Extension of Credit

*Cheered with the knowledge that credit is an established accessory increasing with the mounting trend of modern business, we cannot afford to lose sight of the fact that it is slowly changing with every new innovation appearing on our commercial stage. The future of retail credit depends upon what study we make of it today. It is most likely that we have much to learn about its intricacies for it remains a highly variable problem, deserving conscientious, able study ere we begin to master the fundamentals.*



THE credit fraternity is ever faced with a gigantic, dual problem—increasing the profitable volume of such business and improving the management of its present operations. While we know within reasonable limits just what the general scope of this problem is there are some difficulties which block consistent progress. One of the many purposes of such an association of ours is to study such questions, reducing every troublesome situation to its least common denominator to get at every fundamental fact.

Ignorance is a harshly sounding word, perhaps not the best one to use in describing the foremost obstacle of the wider extension of credit business. Many do not know that there are advantages accruing to the wise choice of credit buying. Obviously the proper procedure in this instance is to tell those who do not know how they may profit from a fuller knowledge of these principles. Education is the medium by which cloudy misconceptions of the true meaning of retail credit can be removed. But with a national problem such as this it is too much for any one group without substantial assistance to expect to master.

Personal contact provides the most effective avenue of changing public opinion which we have today. Logically then every group interested in the retail credit must take some local responsibility to achieve visible success in beating down the resistance of doubt and uncertainty. Our association has already made some notable contributions to this goal for we have prepared and issued a number of leaflets suitable for inserts with monthly mailing. These brief messages addressed to consumers explain the fundamentals of credit. They are the A B Cs of the basic principles and they tell their stories in a manner that cannot fail to impress. Many of these leaflets have found a ready acceptance and have served this educational purpose. Local credit bureaus are awaking to their individual need to stimulating their own communities. Such seeds are bound to germinate and on maturing yield a bounteous crop return.

Looking into the future we must realize that there are additional problems which will be brought face to face with us. It is tragedy to await for their

*Humanity seems in general to be of one pattern, somewhat like the small pebbles along the beach. All may be fairly round, composed of similar ingredients, but closer examination reveals many differences. Certain ones have flat sides, rough edges, shiny surfaces or streaks of unusual color. Just so with the mass of humanity which mills around in our daily world.*

eventual approach. When they come they must be studied and mastered, else progress meets an obstacle. Humanity seems in general to be of one pattern, somewhat like the small pebbles along the beach. All may be fairly round, composed of similar ingredients, but closer examination reveals many differences. Certain ones have flat sides, rough edges, shiny surfaces or streaks of unusual color. Just so with the mass of humanity which mills around in our daily world. Because of these many differences we must be prepared to make some study of various types, learning their reactions to retailing principles. This necessitates a vast human laboratory to investigate habits of buying folk. From such shops where we are able to dig out resulting facts we can plan future policies which will overstep the temporary limitations thrust up against merchandising. In this fashion, and our association will play its part to master the subject, American business will be on the road to a more normal, profitable and consistent existence.

The educational duties of the National Retail Credit Association are "merchant," "consumer" and "institutional." The ignorance and weakness of the credit buying public are no less serious to the establishment of better credit conditions than the ignorance and weakness of merchants.

If people are going to be influenced by our educational efforts in such a way that they will promptly meet obligations, the appeal will have to involve such re-education as to establish a different attitude in the mind of the buyer toward the merchant and the mind of the merchant toward the buyer. Ignorance of what delinquency costs them both in money and values is a factor which tends to delay prompt meeting of obligation on the part of buyers. Few people realize that their credit is endangered permanently by delinquency. If they knew the extensive ramification of the national retail credit system, they would be uneasy and dissatisfied with the way in which they were meeting their obligations. This uneasiness and dissatisfaction can be developed through advertising which acquaints people with the facts, and which places a social as

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# Minneapolis Collects

By H. W. HOKLAS

Credit Manager, The Young-Quinlan Company  
MINNEAPOLIS, MINN.

## Who Answers a Question Frequently Asked—"How Do You Do It?"

(First Printed in the Dry Goods Economist, June 14th, 1930)

**H**OW do you make such a high collection percentage in Minneapolis? This is the question often asked of Minneapolis credit men when they wander afield. And here is the story.

The collection percentage of seven of the large stores in Minneapolis has varied in the past three years from 44 per cent to 72 per cent. These same stores average for this period 59 per cent. The highest collection percentage for April, 1930, for these seven stores was 71.94 per cent; the lowest 51.66 per cent; and the average 61.33 per cent. By collection percentage is meant the ratio of the amount collected during any month to the amount outstanding at the beginning of that month.

At the close of January, 1930, second of these stores averaged their accounts; that is, the amounts on the accounts were divided into the months for which each customer was owing. The totals of the amounts on the accounts of these stores showed the 100 per cent owing at the close of January to be divided as follows:

	Young- Quinlan Co. Per Cent	Other Store Per Cent
January .....	47.82	54.
December .....	32.22	24.3
November .....	10.82	11.5
October .....	5.39	6.4
September .....	2.57	2.7
August .....	.64	
Prior .....	.54	1.1
	100.00	100.00

The figures for The Young-Quinlan Co. at the close of January, 1929, were as follows:

	Per Cent
January .....	52.09
December .....	28.80
November .....	10.55
October .....	5.79
September .....	1.59
August .....	.73
Prior .....	.45
	100.00

And for the same store at the close of June, 1928:

	Per Cent
June .....	62.09
May .....	22.01
April .....	7.83
March .....	3.61
February .....	1.41
January .....	.81
December .....	1.08
November .....	.60
Prior .....	.56
	100.00

The percentages for the L. S. Donaldson Company, Minneapolis, were as follows:

	30-Day Accounts	Contract Accounts
January .....	54.93	3.12
December .....	31.11	1.20
November .....	7.00	.61
October .....	3.73	.29
September .....	1.95	.18
August .....	.66	.10
Prior .....	.62	.20

Of the contract accounts 94.3 is not due.

The figures of other stores for these dates are not available.

Such consistently favorable percentages are possible on the part of the Minneapolis stores because the retail credit grantors operate as nearly as is possible on a uniform credit basis. They keep closely in touch by monthly and by weekly group meetings. They warn each other whenever occasion requires to prevent a fraud, and to prevent another store from getting into an unfortunate situation with some customer who cannot pay out, or who will not clear his account within a reasonable time. Suggestions are given on collection procedures. Information is also exchanged on those customers whose returns are heavy and who are unfair in their claims.

A splendidly operated mutual credit bureau greatly aids the collections, and reduces the losses resulting from a credit business. Loss percentages vary among these stores from less than one-tenth of 1 per cent to one-half of 1 per cent, most

of them being about one-fourth of 1 per cent. The new applications for credit that have to be declined vary from 3 per cent in some stores to 10 per cent in others with 6 as a general percentage.

Growing out of this ability of the merchants and of their credit men to co-operate, there was developed a "pay your bills promptly" campaign in 1917, which has been carried on steadily since that time with the exception of a six months' period. Through this campaign the funds for which are contributed by a group of loyal merchants, the citizens of Minneapolis and of the Minneapolis trade territory have been educated to the needs of prompt payment of charge accounts. The percentage of charge business having increased to such a marked extent, with a consequent greater amount of capital tied up, it is of more importance than it was years ago that bills be met by the consumer when due.

This campaign has been and is being carried on for the most part through newspaper publicity. In addition, a monthly educational letter—a new one each month—is sent to a selected and changing list of delinquents.

Most of the advertising copy is written by the Advertising Committee of the Retail Credit Association of Minneapolis. The advertising appeals are made to pride in a prompt pay record, to development of character, to reputation in the community, to the prosperity of Minneapolis, to avoidance of worry, to budgeting, to training of children in promptness and to fair dealing and honesty.

A new method of this type of advertising is soon to be inaugurated. A club woman, who is a capable and entertaining speaker, is to give instructive talks before

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President A. D. McMullen on a Fishing Trip in Colorado

*"... For so our Lord was pleas'd, when  
He fishers made fisher's of men;"*

"President McMullen is a good angler for trout—and for members of the National Retail Credit Association. . . . Every day new members are coming into the association, enrolled by Bureau men who have been inspired by his appeal to make this 'expansion year' the biggest in the history of the association. . . . Haven't you felt the thrill of the guide who says to a man who loves fishing, 'Come, I know where there's a fresh trout stream—just hundreds waiting to be caught.'"

If you know where there are new member prospects—just hundreds waiting to be enrolled—what a thrill for you to go and get them or pass them on to Mr. McMullen.

Mr. McMullen loves fishing—and working for the association. But he'd really "rather be—a pupil in the forest wild, than king of men elsewhere and most sovereign slave of care; he would rather have one moment of the dawn than share the cities' year forlorn."

*O Nature I do not aspire  
To be the highest in the choir—  
To be a meteor in the sky  
Or a comet that may range on high;  
Only a zephyr that on high may blow  
Among the reeds by the river low;  
Give me thy most privy place  
Where to run my airy race.*

*In some withdrawn unpublic mead  
Let me sigh upon a reed,  
Or in the woods, with leafy din,  
Whisper the still evening in  
Some still work give me to do—  
Only—be it near to you!*

*For I'd rather be thy child  
And pupil, in the forest wild,  
Than be the King of men elsewhere  
And most sovereign slave of care;  
To have one moment of the dawn  
Than share the cities' year forlorn.*

—Henry David Thoreau.

## THE CREDIT WORLD

### Additional Business through Partial Payment Accounts

(Continued from page 20)

accounts, many of them with exclusive Fifth Avenue stores.

A smaller metropolitan store reports that a large percentage of their partial payment accounts open charge accounts after completing their partial payments.

Another store that hesitated about inaugurating a partial payment system tried a test mailing to a list of cash customers and secured an 8 per cent return within thirty days after the first announcement.

Instead of being opposed to the idea you will probably find that your cash and charge customer is really a prospect for a partial payment account.

On the other hand, take a look at the type of people going through the doors of the installment houses in your trading area.

You'll find the colonel's lady and Judy O'Grady entering, side by side, because they are sisters under the skin when it comes to the matter of keeping up appearances in their respective homes. Banish the thought from your mind that the installment house of today caters only to the people living on the side streets.

The avenue and boulevards are well represented, too! The wives of the fellow who lays bricks on the newest skyscraper and the fellow who lays putts at the oldest country club go through the doors together.

Do not feel that all of the people who go to installment houses are interested only in terms, and not in merchandise. The woman who has learned all about interior decoration, in six lessons at the Women's Club, and the talented teacher of art in the public schools will also be found among the visitors.

But while city faces predominate, your installment house study will reveal the fact that the suburbs are sending in great numbers of home lovers. Out in the great open spaces, where thousands are engaged in the struggle of "keeping up with the Jones'", it is a vital necessity to always have the home in style. That is why you will see Mrs. Newlywed and her older next door neighbor driving up in their new Buicks and Studebakers.

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## Credit and Collection Policies of Kansas Retail Lumber Dealers

(Continued from page 15)

independent concerns. Forty-six line yards, or 15 per cent of the operators reporting, secure 1 per cent of their sales by this method; 9 yards, or 2.9 per cent, secure not more than 3 per cent; 12 yards, or 3.9 per cent, secure 5 per cent; 2 yards, or .65 per cent, secure 10 per cent. Five line yards report the use of the chattel mortgage in from 15 per cent to 50 per cent of their total sales.

The length of time a chattel mortgage is allowed to run, when filed by Kansas lumber yards, varies from thirty days to one year. No line yards and only one independent yard report the use of the 30-day form; 2 line yards allow 45 days; 2 more, 60 days; and one allows 90 days. Three independent yards fix the period at 90 days. One hundred and twenty days are stipulated by 8.5 per cent of the line yards and by 16.7 per cent of the independents. Twenty-four per cent of the line yards and 33.3 per cent of the independents allow 6 months, 18 per cent of the line yards allow the generous period of 8 months, while 10.9 per cent of the line yards and 16.7 per cent of the independent yards permit one year to elapse before foreclosure. Twenty-five line concerns report that their chattel mortgages are allowed to run "until after the first harvest."

When accounts are past due and unpaid, the prevailing policy is to charge interest on the debt. Seventy-six per cent of the line yards and 64.4 per cent of the independently operated yards follow a definite policy of making interest charges. The rate varies, as does the time when interest begins. The size of the debt is a factor. Some of the smaller yards, which operate on a "practically cash basis," charge interest on any account which is unpaid 30 days after delivery of material. The majority of both types of yards levy interest charges after 60 days, several delay until 90 days, but only a few delay longer than 120 days.

Seventeen per cent of the line yards and 28.8 per cent of the independent yards make no provision for charging interest on accounts, regardless of the time they run. Seven per cent of the former and 6.8 per cent of the latter charge interest only when the pay is doubtful or when the interest charge is likely to induce early settlement of the obligation.

### Losses from Bad Debts

One of the most interesting questions in a study of this sort is the ratio of uncollectible accounts to sales. Losses from bad debts apparently are not so serious now as in previous years. Sales are being watched more closely and less credit is extended "where parties are risky." One independent operator says that his worry with receivables in 1925 was not from 1925 sales, but rather from old notes and accounts, some of which dated back at least ten years.

The bad-debt loss for line and independent yards varies with the size of the yard. The average amount charged off for bad debts in 1925 by line yards whose sales were below \$50,000 was slightly less than .8 per cent of total sales, while the average for independent concerns of similar size was .4 per cent. For both line and independent yards whose sales were more than \$50,000, but less than \$100,000, the losses were .7 per cent. There was a considerable increase in losses from bad debts for both types of concerns

when the sales were above \$100,000 but less than \$150,000. The line yard loss was 1 per cent of total sales, while the independent yard loss was slightly in excess of 1 per cent. For line yards whose sales were more than \$150,000 the loss was .4 per cent and for independents of similar size the loss was .5 per cent.

The percentage ratio of 1925 bad debts to sales as reported by 394 line and independent concerns is shown in the following table:

Percentage Ratio of Bad Debts to Sales	No. of Line Yds.	Pct. of Line Yds.	No. of Ind. Yds.	Pct. of Ind. Yds.
Negligible per cent.....	87	27.7	27	34.2
$\frac{1}{4}$ of 1 per cent.....	9	2.9	4	5.1
$\frac{1}{3}$ of 1 per cent.....	3	1.0		
$\frac{1}{2}$ of 1 per cent.....	107	34.0	17	21.5
$\frac{3}{4}$ of 1 per cent.....	14	4.4	2	2.5
$\frac{7}{8}$ of 1 per cent.....	25	7.9		
1 per cent.....	42	13.3	16	20.4
1.5 per cent.....	2	.6	2	2.5
2 per cent.....	16	5.1	6	7.6
2.6 per cent.....	1	.3		
3 per cent.....	5	1.6	2	2.5
3.5 per cent.....	1	.3		
4 per cent.....	1	.3	1	1.3
5 per cent.....	2	.6	2	2.4
Total.....	315	100.0	79	100.0

Some accounts classified as uncollectible losses are ultimately paid, but the lumber business in general is apparently too liberal in the matter of credit granting. Many operators attempt financing operations and credit accommodations which banking houses cannot or will not handle. This is because the yard operator is eager for business and makes unwise concessions in order to increase volume.

Credit losses should not exceed one-half of one per cent of credit sales. If the losses of any yard manager exceed this amount the fault probably lies not with the credit system but "with the use made of it and the efficiency with which it is operated and maintained." As lumber-yard managers become more efficient in credit dispensation and management, abuses will be less common and greater benefits will result from the credit privilege.

### Credit Information and Collection Agencies

The avoidance of doubtful accounts, of course, is the surest cure for credit losses. The credit rating of contractors and other probable purchasers may now be secured with comparative ease from local credit bureaus or from merchants' associations. A line-yard manager, when asked to comment upon the benefits received from membership in a local merchants' association, replied that "it would require an entire volume to tell of all the advantages derived from a good association." Many other line and independent operators testify that the information received by them from local associations as to the financial standing of customers has materially reduced the number of bad accounts on their books.

Reports as to membership in local merchants' associations were secured from 338 retail yards. Where there are merchants' associations, 154 line yard operators and 49 independent operators belong to them as against 63 and 23, respectively, who do not. Practically all line and independent operators whose annual sales are more than \$50,000 belong to local associations, while only 50 per cent of the line and 40 per cent of the independent operators whose sales are less than \$50,000 hold membership in them.

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# A Story with a Moral

(As it might be enacted over Radio)

## Entitled PATTERSON vs PATTERSON

By AN OBSERVER

### CHARACTERS

Mary Patterson.....a wife  
Tom Patterson.....her husband  
The Judge.....Bailiff  
Court Clerk  
Attorney for the Plaintiff  
Attorney for the Defense  
Two Women, Spectators  
Bridge Party Guests, Grocer, etc.

### THE SCENE

A Divorce Courtroom

THE action opens with a babel of voices, a confused, billowing chatter of many conversations sufficiently moderated so as to hear the gossip of two women.

First Woman (quickly and a little eagerly): Look, dearie, over there under the window. The one in the black coat with the white fur. She's suing him . . . shhh, here he comes now.

Second Woman (chuckling): Did you see her look right through him like he wasn't even there? What's she suin' him for?

First Woman: Cruelty and non-support.

Second Woman: But ain't it terrible the way these young flappers go after a divorce as soon as they learn that marriage isn't all sugar.

Second Woman: Ye, but most of 'em's got plenty of grounds. There ain't any man that 'r' any too good.

First Woman (scornfully): Look at the sheepish look uv him. Wonder what he done to her?

A buzzer sounds and the chatter stops abruptly. It is the judge's signal that he is ready to enter the courtroom. A brief pause, during which the silence is absolute, and the judge steps into the room and takes his place.

The bailiff, with deep resonant voice which he uses to intone the first three words of his frequently repeated formula, raps sharply

three times with a heavy gavel. After the first three impressive words, he mumbles through the formal declaration that opens court.

Bailiff: Oyez, oyez, oyez. The honorable superior court, division of domestic relations, is now in session, pursuant to adjournment.

(His voice trails off on the last words.)

Judge (in ponderous and dignified tone): Mr. Clerk, call the first case on today's docket.

Clerk (in conversational tones): Patterson versus Patterson. (Then, raising his voice and addressing the courtroom): All witnesses in the case of Patterson versus Patterson come forward and be sworn. (Clerk continues) Mary Patterson, Thomas K. Patterson.

(There is a slight shuffling of feet as the principals advance.)

Clerk (the first sentence distinctly, the rest in rapid, stereotyped monotone): Raise your right hands and be sworn. Do you and all of you solemnly swear that the testimony you are about to give in this case will be the truth, the whole truth, and nothing but the truth, so help you God?

Judge (interrogatively): Attorney for the plaintiff?

Attorney for the Plaintiff: Ready, your honor.

Judge: Attorney for the defense?

Attorney for the Defense: Ready.

Attorney for the Plaintiff: Mrs. Patterson, will you please take the stand?

(There is a momentary pause while Mrs. Patterson walks up to the witness chair and seats herself.)

Attorney: You are the plaintiff in this case, asking a divorce and alimony from Thomas K. Patterson?

Mary: I am, but I don't know how he'll pay it. We were always broke.

(A ripple of laughter in the courtroom is silenced by the pounding of bailiff's gavel.)

Bailiff (sternly): Order in court.

Judge: Confine yourself to answering the questions of counsel.

Attorney: Just answer my questions, Mrs. Patterson. You have petitioned this court for divorce with alimony and the custody of your child, aged three years?

Mary (curt, sulky at the rebuke she has received): Yes.

Attorney: I'll ask you now, Mrs. Patterson, to tell the court in your own words the reason why you want a divorce.

Mary (still angry and speaking resentfully): Your honor, he



didn't support me decently. He made me live from hand to mouth. We were always in debt. I wasn't used to that sort of thing. Before I was married I could charge things anywhere and my name was good, but now (with contempt in her voice) the name he gave me isn't worth a nickel in any store in this town—and it's all his fault. We didn't have to be that way. I just can't stand it. It's so humiliating. (She is on the verge of tears.)

Attorney: Will you tell the court of a specific instance, Mrs. Patterson?

Mary: Well, one day I was having a bridge—

(Music.)

(The noise and chatter of a bridge party is heard. Out of it emerges a postmortem that is characteristically caustic.)

First Voice (Indignantly): Why didn't you lead me a heart?

Second Voice: How could I when I didn't have any?

First Voice: Why, you certainly did. You discarded a heart on my club trick.

Second Voice: Well, you didn't want me to throw away my King of Spades or my Ace of Diamonds, did you?

Third Voice: You see, dearie, you should have—

First Voice (interrupting): Oh, it doesn't matter. Is that a rubber? Do we move now?

(A short silence.)

Mary (in an undertone to one of the girls): My dear, the re-

freshments haven't arrived. The bridge breaks up and one of the girls goes to the piano. A low melody on the piano continues as Mrs. Patterson is heard on the telephone.)

Mary: Garfield 4326. (Pause.) This is Mrs. Patterson, of 462 Delaware Avenue. Why haven't the things I ordered this morning been delivered? What is that—what—are they coming? . . . You mean . . . Oh-h-h-! (There is a tragic tone in her voice. She hangs up and returns to the party.) Won't you play another rubber please? (The piano stops suddenly.)

First Voice: What's the matter, Mary?

Mary (with difficulty): Please go on with the game.

Second Voice: My dear, what's troubling you?

Mary (on the verge of tears): Oh, nothing. I'm—please go on playing.

Door slams.

(Silence.)

First Voice: What can be the matter?

Second Voice: I don't know.

The piano continues after a moment amidst low and excited talking.

Bell rings.

(Music.)

Grocer: I—I—I'm sorry, Mrs. Patterson.

(The sound of the bridge party and the piano can be faintly heard in another room.)

Mary: It's not your fault, but please leave the things.

Grocer: I'd like to, Mrs. Patterson, but your bill has run so long and your husband has given me so many promises.

Mary: I know it's not fair (pleading), but please.

Grocer: Well, Mrs. Patterson, I believe you're honest, but I have to pay my bills, too, you know.

Mary: Oh, please, please. I'll get the money tonight.

Grocer: I wish I could, but—(Piano and voices continue faintly.)

Mary (hopefully): Wait a minute.

Music and voices burst out louder; then stop suddenly, presumably as Mary opens and closes the door into the next room.

Mary (in tragic whisper): Louise will you come here a moment? Could you lend me some money. Oh, this is terrible.

Louise (whispering): Why, certainly, I'll get my purse.

(Door closes again.)

First Voice: What's the matter with Mary?

Second Voice (knowingly): Well (pause) it's too bad. (Pause.) She's having trouble with her grocer.

First Voice: Why, what's he want?

Second Voice: Money, I suppose. Her husband hasn't paid the bill.

Third Voice: Fred says he's a dead beat.

Second Voice: He isn't that. He means all right, but he just doesn't make ends meet. He's careless—doesn't pay his bills and can't keep his credit.

First Voice: Poor kid. I'd divorce him, that's what I'd do. Her father was the soul of honor.

Third Voice: It's easy to be the soul of honor when you're rich.

Second Voice: Oh, I don't know. Honor has nothing to do with being rich. Everybody should pay their bills.

Third voice: That reminds me (giggling). I should have paid my charge at Taylor's two weeks ago and I haven't done it yet. (With rising inflection): Isn't that simply terrible? Two weeks, and it isn't paid yet? (Laughter.) Oh, why worry, Peg, go on play "Baby Eyes."

Second Voice (sarcastically): Yes, why worry. Some people



don't, but owing money simply kills my soul.

(Piano and singing, which gradually fades out.)

Attorney: That'll be all, Mrs. Patterson.

Attorney for the Defense: Just a minute, Mrs. Patterson. I would like to ask you a few questions. You feel that you have been very much outraged, and you feel that

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## Retail Credit as a Factor in Developing Business

(Continued from page 11)

production costs and overhead expense must enter.

The operation of a credit department, of course, is one of the overhead or administrative expenses. Naturally it adds something to the cost of doing business. But the addition, in most cases, is more than offset by the additional revenue brought in through credit sales. The average net cost of doing a credit business is represented as being 5.28 per cent of total credit sales. This figure is taken from results of a number of surveys, including the New York State Credit Survey. Assume that a firm selling for cash only has a yearly volume of \$100,000.00 composed of ten thousand units selling at \$10.00 each. Assume the total annual overhead to be \$20,000.00 or 20 per cent of total sales; 20 per cent of the selling price of each article, then, must be set aside for overhead, leaving 80 per cent or \$8.00 to cover manufacturing and sales costs and provide a profit. Now, by granting retail credit, suppose this business can increase its volume of sales to \$150,000.00 or 15,000 units. The overhead per unit then will be \$1.33. Add to that the credit cost per unit, which, based on a percentage of 5.28 per cent of credit sales as given above, is 17.6 cents. The result is a total cost of \$1.51 per item or unit, leaving \$8.49 to cover manufacturing and sales costs, where before we had only \$8.00.

In the above paragraphs we have made several assumptions. They cannot, however, be questioned, since they are the results of close surveys in many lines of business.

It follows, logically, then, from the above conclusions, that we can grant retail credit without raising prices to the ultimate consumer. In fact, as shown above, we can if necessary reduce the price to the ultimate consumer by using retail credit as an aid to sales and as a force to reduce cost per item.

Retail credit has opened the way for mass sales. Mass sales have, in turn, been conducive to mass production. To use the words of Guy H. Hulse, Secretary of the National Retail Credit Association, "Retail credit has made possible mass consumption upon which mass production depends. It is axiomatic that commodities produced in quantities or in mass are distributed at lower prices than would otherwise be possible."

Two very practical aspects of retail credit have been considered above. Now let us delve into the economists' jealously guarded domain. For years economists regarded theoretical credit and practical credit as two distinct and separate subjects. They petted the credit theory and rather scorned practical credit. Now, however, the world has realized that theoretical or economic credit is a very practical thing after all.

The question to be answered is this: "Will the granting of retail credit react favorably or unfavorably to our national economic system?"

Favorably—to be sure! If this question could be answered by the word unfavorably it certainly would be time to apply every possible deterrent to the use of retail credit for there is retail credit granted annually in the amount of fifty billion dollars. If any damaging or dangerous consequences could be feared

from retail credit, then this immense volume would multiply the hazard a thousand-fold. Truly, rare are the instances where we can have the good without taking our share of the bad. But retail credit, in operation, seems to be just one of those instances. Strange as it may seem, we need have no fear of any dire consequences from this vast trading in human promises and human securities. The reason is that certain controls have been established which function as a safety to operations. They in no way hinder the vast volume of wholesome credit relations which flow between buyer and seller yearly. They do, in fact, facilitate that movement. But when the flow borders on the danger line these faithful controls flash a stop signal.

You undoubtedly wonder what is meant by the controls. They are represented by 1000 credit bureaus throughout the country. These one thousand credit bureaus have detailed records of the credit activities and paying habits of sixty million credit users in the United States. They go still further. They are constantly renewing files showing up-to-date information so that it is possible to determine the extent of any man's indebtedness or lack of it.

These one thousand bureaus the country over have as members some 136,000 business and professional men. Add to that the 1000 bureau managers and you have a total of nearly 140,000 learned and alert business executives in whose hands rests the country's retail credit destiny. And you may rest assured that those 140,000 men and women will respect and properly discharge their obligation. The credit status of our country will not suffer, but will continue in its present wholesome manner.

A certain group of men comprise what might be called the "credit managers of the United States of America." That group is the Federal Reserve Board. No discussion of the retail credit and its economics would be complete without giving the views of the Federal Reserve Board. They actually feel now that retail credit is fundamentally sound and proper.

Yes, retail credit will react favorably to our national economic system?

Now we know that retail credit can increase our sales volume. We know that we can grant retail credit without raising the price of product or service to the ultimate consumer. We know that retail credit is fundamentally and economically sound. What is there we can do to avail ourselves of the advantages offered by these three characteristics of retail credit? Or in other words, "How can the above three points be guided to bring us increased profits?"

Without profits, all other activities of business would be without objective or compensating returns. Without profits, business could not expand, salaries could not be raised, credit bureaus could not operate. In fact, all business, without profits, would degenerate into the old-time barter and trade of centuries ago. Certainly no one wants to return to those conditions. So in the last analysis, profits, must be the deciding factor in favor of or against any contemplated action. Likewise with retail credit. If it will not bring increased profits to business then it must be thrown in the discard as a worn-out tool would be. Means must be found to bring forth additional profits from the use of retail credit. So the requisites will be discussed in the following lines.

Store policies must be formed to give the characteristics of retail credit full chance to operate. Obviously,



a sound thinker and an alert business executive must be put in charge of retail credits. We, as credit men and women, must realize the weight and usefulness of the tool which has been given us. We must dig deep into the theory and practice which accompany our tool. We must find the very fundamentals which cause the tool (retail credit) to act and behave as it does. In every credit application that comes to our desks, can be found the operation of the above three characteristics of retail credit. They are, namely: the ability to make sales, the minimizing of prices to the ultimate consumer, and last, sound economic reactions.

To be more specific in answering the last question, we will outline briefly the functions of the ideal credit department.

Originally, the credit department was organized to guard the receivables of the store. Now, however, its primary function includes the careful placing of these receivables so that they will be an actual asset as well as a balance sheet asset. True, the credit department must collect accounts, but it is equally important that the credit department sell the charge account; sell it in such a way that the collecting task will be minimized. The credit department must furnish information upon which can be based effective selling appeals for the merchandise of the store.

Control policies must be adopted so the total outstanding at any time will not exceed the amount needed to perform the credit task well.

All of the above functions must be performed at the absolute minimum of cost to the store, if the credit department is to carry successfully its portion of the business-building load.

In summary, we have seen what a vast and profitable field of opportunity is offered through the medium of retail credit. We have seen what controls and checks and inducements must be used to permit effective operation of retail credit practice. We have seen that, through these controls and checks, retail credit can be made a great advantage to the welfare of our country. Now it is up to the 140,000 credit men and women of the United States of America to so perform their task with retail credit that it will be the boon to business which we have proved it can be.

Let every credit executive from the \$10.00 corner grocery to the twenty billion dollar auto finance firm devote diligent and far-reaching study to his or her field, so that the world can say, "There, truly, lies the pulse of national prosperity."

## Clearing House for Installment Sales

London Project with Resources  
of More Than \$50,000,000  
Designed to Guard Against  
Defaulting Customers.

By JOSEPH THOMAS  
International News Service  
Correspondent

A business man supplying goods under an installment plan agreement will be able to consult this register and thus see the extent of

A vast installment plan "clearing house," backed by resources totaling more than \$50,000,000, is to be formed in London. The object of the clearing house is to protect firms which sell goods on installment terms against defaulting customers.

All installment plan agreements will be registered at the clearing house.

(Continued on page 45)

## Estimated loss, fraudulent checks, January-June, 1930. Percentages based on net sales.

Classification	No. Stores	Total Loss All Stores	Per Cent Loss: Weighted Average
Kind of Store—			
Department	55	\$32,503	.1
Furniture	57	734	.0
Jewelry	38	1,077	.01
Men's Clothing	71	10,061	.1
Shoe	38	2,658	.02
Women's Specialty	57	4,941	.02
Electrical Appliance	20	290	.0
City—			
Atlanta	2	50	.03
Baltimore	8	41	.0
Boston	15	4,348	.1
Chicago	19	6,437	.1
Cleveland	16	2,152	.04
Dallas	11	1,437	.04
Denver	11	1,703	.1
Detroit	18	5,900	.1
Galveston	9	141	.02
Indianapolis	6	153	.01
Kansas City	12	1,590	.04
Los Angeles	21	5,823	.1
Louisville	11	257	.01
Minneapolis	13	1,370	.1
New Orleans	16	510	.01
New York	20	5,009	.1
Philadelphia	32	605	.0
Pittsburgh	8	357	.01
Portland, Ore.	8	3,637	.2
Richmond, Va.	9	546	.03
St. Louis	24	4,752	.1
San Francisco	12	2,247	.1
Seattle	6	937	.03
Washington, D. C.	29	2,262	.04
Totals	336	\$52,264	.1

## Per cent collected monthly on credit accounts of all stores for January-June, 1930:

CLASSIFICATION	Per cent: Simple average of percentages (sum of percentages divided by number of stores.)			
	Open Credit		Installment Credit	
	No. Stores	1930	No. Stores	1930
Kind of Store—				
Department	84	42.6	66	18.2
Furniture	37	41.9	72	9.8
Jewelry	39	36.7	25	18.9
Men's Clothing	98	39.9	9	36.6
Shoe	48	48.0		
Women's Specialty	80	43.2	11	26.0
Electrical Appliances	26	50.4	27	13.6
Month—				
January		43.9		15.1
February		41.3		14.7
March		42.2		16.0
April		42.8		15.6
May		43.7		15.6
June		41.8		14.6
City—				
Atlanta	2	35.4	3	10.8
Baltimore	14	38.3	10	13.1
Boston	22	50.0	8	18.7
Chicago	20	41.8	18	16.7
Cleveland	19	39.3	12	17.4
Dallas	12	32.3	8	8.8
Denver	13	43.0	8	14.0
Detroit	19	39.1	9	17.3
Galveston	13	37.1	1	60.7
Indianapolis	10	42.4	6	17.2
Kansas City, Mo.	15	46.0	5	14.6
Los Angeles	27	46.8	8	18.2
Louisville	15	41.5	8	18.4
Minneapolis	14	55.6	7	23.9
New Orleans	20	40.4	9	18.9
New York	26	46.8	13	14.2
Philadelphia	39	50.3	12	12.8
Pittsburgh	11	42.3	3	21.2
Portland, Ore.	10	35.6	12	14.4
Richmond, Va.	16	25.9	9	9.6
St. Louis	22	44.1	14	12.7
San Francisco	15	36.0	5	14.3
Seattle	7	34.8	2	9.8
Washington, D. C.	31	41.5	20	12.5
Totals	412	42.6	210	15.3

(Continued on page 35)

# A Community Credit Policy

## FIRST PRIZE ESSAY

From the San Francisco Credit Course

By MARIUS P. NEPER

Ass't Credit Manager "The White House"

SAN FRANCISCO, CAL.

IN THE early days of retail credit some twenty-odd years ago, credit and the extension of credit was regarded by the average store owner, merely as a matter of office routine; it did not involve any of the problems with which present-day credit is surrounded, nor did it entail any special thought or the application of skill—their problems were few and comparatively simple in solution.

Those to whom credit was extended were made to feel that a great honor was being conferred on them. This show of confidence was prized and the obligation was met to the satisfaction of the store. Investigation of the credit applicant, in the majority of cases, was accomplished by means of the "direct inquiry." Each store or institution operated independently of the other, it being necessary for the individual store to depend upon his own internal staff for investigation.

However, with the rapid expansion of business and the increased demand for credit, the desire for more complete information concerning the responsibility and character of the credit applicant become urgent.

The old antiquated system of communicating directly with the individual store was found to be slow, took up time and moreover did not give the desired result—too often it was found the applicant had concealed accounts with which he had unsatisfactory dealings.

With the subsequent development of the reporting bureau and the Retail Credit Association there came a very decided change and improvement in the method of handling credits. For the first time, credit was surrounded with some means of protection.

Experience has since proven that credit cannot safely be extended without information. Present-day conditions are such that the retail merchant must use the most modern methods to safeguard his accounts if he is to obviate the disaster which comes of a neglect to insure against poor credit extension.

Of all information sources the local bureau is by far the most thorough and the most economical and modern retail credit is founded upon it. It has developed into an institution of value in improving the tone of the community's credit. In this modern age of retailing, credit has more and more come to be recognized as a service that practically every institution is expected to extend to its patrons—it is a convenience, and when intelligently extended a great benefit flows to the merchant.

However, the facility with which present-day credit can be acquired has tended toward turning its use

into a vehicle out of which has grown many evils and abuses that may well need corrections.

During the last few years the idea of credit has been so exploited that it has to a large degree lost its real significance. The buying public has come to regard it as something more than a convenience, they have been educated to demand credit; it is looked upon as a privilege, rather than an accommodation; a privilege to which they feel they are rightly entitled, they view it with the same attitude that they view their right to expect and demand

other forms of store service. This free use of credit, as a consequence, has developed a class of users who, not only are not entitled to credit, but likewise are the very ones who persistently make unreasonable demands upon the merchant. It cannot be too strongly emphasized at this time the need of credit co-operation if the extension of credit is to be controlled and protected.

On the other hand, we find credit being used in a competitive sense to a degree that is subverting the basic principles of legitimate business.

There are many firms at present who are unethically selling credit and have succeeded in building up a large volume of business based upon this vicious practice. Volume built up at the expense of disorderly credit practices is not as profitable as a smaller volume representing carefully thought-out credit and subject only to a normal loss.

Merchants have many lines in which to compete other than credit and credit terms. It is good business to compete in merchandise and prices, it affords a stimulus that is conducive to good business. But competition in credit terms—never, and if allowed to continue will tend to cheapen the value of credit and confuse the public's mind as to its true meaning.

It must be regulated in a consistent and intelligent manner, and it is essential that some sort of policy be outlined and strictly adhered to if the future of the credit institution is to be preserved.

It is a well known fact that our collection turnover is one of the very lowest in the country, this condition has become one of real concern to all retailers, especially the larger establishments, whose accounts receivable are constantly growing in volume without a corresponding increase in collection percentage. To a large extent this deplorable condition is directly attributable to the over-liberality displayed in terms and collection—a leniency fostered by the retail stores in their competitive struggle for more charge customers and for greater volume.

(Continued on page 39)

(Continued from page 33)

Kind and extent of credit business of all stores for January-June, 1929 and 1930. Percentages based on net sales.

net sales.		PER CENT IN WEIGHTED AVERAGES								TOTAL SALES	
CLASSIFICATION	Stores	Cash		Open Credit		Installment		No. Stores	Per Cent Change 1930 Over 1929		
		1929	1930	1929	1930	1929	1930				
Kind of Store—											
Department.....	87	46.4	45.4	86	46.9	47.3	67	6.7	7.2	87	— 5.3
Furniture.....	87	9.2	8.9	42	32.4	32.2	74	58.4	58.9	90	—14.1
Jewelry.....	68	27.4	28.0	44	55.8	54.3	30	16.8	17.7	68	—19.5
Men's Clothing.....	97	47.2	45.4	96	47.4	49.5	10	5.4	5.1	99	—10.1
Shoes.....	50	54.0	52.6	50	46.0	47.4	.....	.....	.....	50	—10.2
Women's Specialty.....	85	34.7	33.9	83	64.4	65.1	13	0.9	1.0	86	— 6.6
Electrical Appliance.....	41	12.6	13.2	33	32.9	31.0	31	54.5	55.8	43	+ 0.1
Month—											
January.....	.....	41.4	40.3	.....	49.4	48.9	.....	9.2	10.8	.....	— 6.6
February.....	.....	41.2	40.1	.....	47.3	47.5	.....	11.5	12.4	.....	— 4.7
March.....	.....	42.0	40.4	.....	47.7	48.8	.....	10.3	10.8	.....	—15.2
April.....	.....	40.2	40.7	.....	48.3	48.9	.....	11.5	10.4	.....	+ 3.8
May.....	.....	40.7	40.7	.....	48.7	49.5	.....	10.6	9.8	.....	— 4.9
June.....	.....	42.1	41.5	.....	48.3	49.2	.....	9.6	9.3	.....	—12.3
City—											
Atlanta.....	5	19.5	18.8	2	56.4	61.5	3	24.1	19.7	5	—12.9
Baltimore.....	19	36.7	35.7	16	43.1	43.4	10	20.2	20.9	19	+ 3.0
Boston.....	22	44.1	43.4	22	52.8	51.7	8	3.1	4.9	23	— 0.9
Chicago.....	31	45.0	45.2	22	27.7	28.8	18	27.3	26.0	31	—11.1
Cleveland.....	27	33.2	31.2	19	58.8	61.4	13	8.0	7.4	27	— 8.5
Dallas.....	16	25.6	23.0	13	57.7	56.3	10	16.7	20.7	16	— 5.7
Denver.....	17	33.9	32.9	12	51.4	51.9	9	14.7	15.2	17	— 3.4
Detroit.....	22	52.5	51.5	19	38.3	39.4	8	9.2	9.1	22	—16.5
Galveston.....	14	42.3	39.0	13	53.9	58.1	3	3.8	2.9	14	—14.4
Indianapolis.....	16	43.2	42.5	11	46.4	47.8	8	10.4	9.7	16	— 7.6
Kansas City, Mo.....	17	42.1	39.7	14	50.9	53.8	5	7.0	6.5	17	— 3.5
Los Angeles.....	29	42.7	41.5	27	48.8	49.9	7	8.5	8.6	29	— 8.6
Louisville.....	19	28.9	28.1	17	58.5	59.6	9	12.6	12.3	19	— 8.6
Minneapolis.....	17	42.8	41.7	16	48.6	49.7	7	8.6	8.6	17	+ 1.6
New Orleans.....	23	43.2	41.8	20	47.9	49.1	10	8.9	9.1	23	— 7.9
New York.....	27	44.6	45.6	27	45.7	44.0	12	9.7	10.4	29	— 4.0
Philadelphia.....	48	30.5	30.3	45	60.6	61.1	15	8.9	8.6	52	—10.6
Pittsburgh.....	13	35.2	34.1	12	59.5	59.9	5	5.3	6.0	13	— 4.5
Portland, Ore.....	14	39.1	39.6	10	36.6	37.5	11	24.3	22.9	14	— 1.3
Richmond, Va.....	21	34.1	33.8	16	58.0	57.8	9	7.9	8.4	21	+ 4.4
St. Louis.....	30	42.2	42.6	25	50.1	50.4	13	7.7	7.0	31	— 6.8
San Francisco.....	16	28.4	27.2	15	64.2	65.1	6	7.4	7.7	16	— 7.4
Seattle.....	8	29.8	28.1	7	43.9	45.2	2	26.3	26.7	8	— 7.8
Washington, D. C.....	44	46.9	45.5	34	43.1	44.2	24	10.0	10.3	44	— 1.8
Totals.....	515	41.3	40.7	434	48.3	48.8	225	10.4	10.5	523	— 6.7

(Continued on page 38)

## "The Horse and Buggy Age" Compared with "The Lindberg Age" in Credit

(Continued from page 17)

the individual to be modern in credit and meet changing conditions as they arise, but we must be inspirational to hold and improve our spirit. To be inspirational we must do something to give new ideas to our members and have a goal to work toward. We cannot continue to have the same rehash of old stuff and be inspired. When problems arise and the association adopts a plan of action, the fellowship of good conventions alone will make the laggard want to get in line, for he will realize his error and want to be up-to-date for the sake of himself and his employer.

One way to get a new idea of things as they are is to have well qualified experts address conventions on some of the more remote as well as pertinent problems affecting our structure and social organism. If the need arises, the merchants should be ready and willing to contribute financially in order that their executives will be addressed by recognized authorities.

It is a duty of this association to take active steps in the education of the public to the right meaning of credit and an educational program such as is being sponsored by the National Retail Credit Association is absolutely necessary today.

In closing, let me say that we need a revamped, improved community credit policy, that we are expected to take a leading part in such a program, that

we owe a duty to ourselves, our various employers and the community.

## Dr. Julius Klein's Ten Commandments for Business Men

1. *Improve Stock Records*—Install better inventory control to show fast-selling and slow-selling items; reduce slow-sale items; concentrate upon the sure-sale sizes, makes, designs, colors or grades—simplify your merchandise; avoid accumulation of stock debris.

2. *Raise Level of Personnel*—By selective hiring or proper training; personnel is the blood of every business: see that it is good, healthy blood.

3. *Watch Credit Control*—Slack credit is a disease that will destroy any business—a deadly germ.

4. *Cut Down Excessive Delivery Costs*—They fasten like leeches on your profits.

5. *Check Mania for Gross Sales*—Sometimes more business means less profit. Dinosaurs were big boys—but nature had no use for them, finally: keep in mind the law of diminishing returns.

6. *Better Accounting*—Evolve and apply simpler and more careful accounting procedure, especially to show costs of services as well as of commodities; don't keep your books under your hat.

7. *Study Store Layout*—For convenience, attractiveness, and effective use of space.

(Continued on page 42)



## Additional Business through Partial Payment Accounts

(Continued from page 28)

The installment house customer of today is a very different person from the old-time buyer of terms. You'll find very little difference between her and your own customer. In fact, she is probably in your store right now, paying cash for her apparel, charging her bridge prizes, sending linens home C. O. D., and about to go around the corner for the home furnishings she wishes to buy out of income—because you haven't told her that she may have such privileges in your store.

Yes, if you study conditions in your territory no doubt you will find a market for ADDITIONAL home furnishings business through partial payment accounts. First: from people who have never bought home furnishings on partial payments but who are prospects for this form of payment because they are already sold on the idea in general through the purchase of their homes, their automobiles, their oil burners, their radios on this basis. Second: from your own cash and charge customers, who may be purchasing their apparel needs at your store but buying their home furnishings at another store. Third: from the better class of installment house customers, who would prefer to buy at a cash department store or furniture house if extended partial payment privileges.

But if you want this additional business you will have to work for it! You will have to follow a straight line! You will not get this business by running some copy about terms once in a while in your newspaper advertising, or whenever the spirit moves your copywriter to think of it. There will have to be a definite copy schedule on partial payments, just like you have for your various lines of merchandise.

If there is an air of mystery about your partial payment accounts, as far as your sales people are concerned by all means dispel it! Tell your floor staff all about the initial payment, the interest charges, etc., and you'll save the customers time and close sales promptly.

Receive your partial payment customers just as courteously as you do your charge account pa-

trons—there should be no mark of distinction between the two in your credit office, even though they make applications at different desks and pay at different windows. It's the little things that count in going after this additional business.

In other words, have a definite promotion plan, to take care of all details between the offices of your publicity director and controller.

Prepare a six months plan! A monthly plan! A weekly plan! Follow through!

Make sure that your plan covers all phases of your advertising effort and store life, such as:

*Newspaper Advertising:* (a) What kind of copy to use; (b) how often copy will appear; (c) with what classes of merchandise.

*Direct Mail Advertising:* (a) What kind of letters to mail; (b) what types of prospects to cover; (c) what merchandise sales to feature.

*Booklets, Literature:* (a) Booklet to "sell" partial payment idea; (b) monthly envelope enclosures; (c) inserts in letters to accounts.

*Floor Selling Staffs:* (a) Instructions, how to explain payments; (b) method of presenting to cash customers; (c) co-operation with credit office.

*Promotion Among Accounts:* (a) "Thank you" letters, when account opens; (b) solicitations to add to accounts; (c) reviving closed or inactive accounts.

*Use of Other Factors:* (a) Home furnishing budgets in model apartments; (b) promoting higher price lines through decorators; (c) co-operation through manufacturers outside salesmen.

### Practical Pointers on Partial Payment Promotion

The plan outlined on the previous page (which can be adopted as a whole or in part, dependent on the size and character of the store, will bring ADDITIONAL furniture, bedding, floor covering, mirror, lamp, cedar chest, baby carriage, blanket, linen, china, silver, kitchenware, electric appliance, stove, refrigerator, laundry device, kitchen appliance, radio, sewing machine, nursery furniture and bathroom fixture business. Yes, this plan, if carried out for a season, will open partial payment accounts for your store AND BRING NEW CASH AND CHARGE CUSTOMERS, TOO!

### Not How Much Copy! How Often?

In your newspaper advertisements, present your merchandise first . . . run your supplementary copy, about partial payment accounts, underneath. Keep "terms" out of your headlines.

Run copy at least twice a week . . . or whenever partial payment merchandise is being advertised and the price is in excess of the minimum amount required to open an account.

Don't use large space or too much copy . . . make the copy general. "Sell" the partial payment idea to the reader who may be thinking about buying home things other than the particular item advertised. Here's an example: "You'll like the plan we offer to home makers who prefer to pay out of income. No need to place a strain on the purse strings now. Ask the salesman about a partial payment account when you come to see our presentation of porch furniture, grass rugs, table accessories and kitchen needs for the new season."

Take the mystery away from partial payments. Be clean-cut. Let your reader know that there is an additional charge for extension of credit: "Of course, you may pay out of income. Our plan is businesslike and practical. A small amount down, with a nominal interest charge. Then the balance monthly, in equal amounts. You may purchase EVERYTHING for the home on a partial payment account."

When it is possible tie up the partial payment copy to the merchandise advertised: "Share in this unusual offering of bedroom furniture without interfering with your savings account or changing your budget plans. We will be happy to open a partial payment account for you. It's really an extended charge account, with a small charge for the privilege of distributing payments over a period of time."

Of course, store inaugurating partial payment systems, or doing promotional work of this character for the first time, will have to use larger editorial copy and in many cases it will probably be advisable to run a series of outside-space advertisements when introducing the plan.

(Continued on page 41)

# Joseph M. Armstrong offers---

Department Stores  
Furniture Houses  
Manufacturers  
Wholesalers  
Service Companies

## Practical Plans for Promoting Home Furnishings - Appliances

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*Individual Plan Preparation for Each Client. Personal Store and Office Study of Merchandise, Advertising, Credit Programs.*

Plans put into operation, at your store or office, by J. M. Armstrong, include:

- ¶ Preparation of newspaper copy and layouts;
- ¶ Copy and suggested enclosures to special class of prospects such as home buyers, builders;
- ¶ Co-operation in compilation of mailing lists;
- ¶ Conducting of Group Meetings with department salespeople to explain account details and presentation to customers;
- ¶ Copy and Follow-up System for Writing Letters to Active and Inactive Accounts;
- ¶ Copy and layouts for booklets and merchandise literature;
- ¶ Suggested co-operative methods of working with manufacturers; schools; banks, etc.

*Representative organizations have found these plans practical! If you would like to know how plan can be used by your Merchandise, Publicity and CREDIT Divisions, write to Joseph M. Armstrong.*

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Suite 1101    225 West 34th Street, N. Y.    Longacre 5625

(Continued from page 35)

**Credit Losses**

The average loss on open credit accounts of all stores was 0.6 per cent; and of installment accounts 1.9 per cent. Bad debt losses on installment sales were thus more than three times as great as those on open credit sales for the stores reporting.

Jewelry stores had the lowest open credit loss (0.1 per cent) and the highest installment credit loss (6.3 per cent).

Electrical appliance stores had the highest open credit loss (2.2 per cent) and the lowest installment credit loss (0.8 per cent).

Bad debt loss on credit accounts of all stores for January-June, 1930:

CLASSIFICATION	No. Stores	OPEN CREDIT		No. Stores	INSTALLMENT CREDIT	
		Ratio Bad Debts to Open Credit Sales	Ratio Bad Debts to Total Sales		Ratio Bad Debts to Installment Sales	Ratio Bad Debts to Total Sales
Kind of Store—						
Department .....	28	0.5	0.2	25	1.5	0.1
Furniture .....	14	.2	.1	25	3.1	2.3
Jewelry .....	9	.1	.04	4	6.3	5.5
Men's Clothing .....	44	1.4	.6	5	3.1	.7
Shoe .....	21	.3	.2			
Women's Specialty .....	31	.6	.4	4	5.4	4.2
Electrical Appliance .....	13	2.2	.9	15	.8	.5
City—						
Atlanta .....	1	.7	.6	1	3.0	2.9
Baltimore .....	4	.7	.2	1	1.5	1.2
Boston .....	9	.3	.2	2	.1	.01
Chicago .....	7	1.6	.4	6	1.4	.4
Cleveland .....	8	.5	.3	5	1.6	.2
Dallas .....	6	1.3	.7	4	1.0	.3
Denver .....	3	.8	.4	1	5.1	5.8
Detroit .....	5	.5	.1	6	1.3	.2
Galveston .....	5	1.7	1.0	2	.0	.0
Indianapolis .....	4	.4	.2	3	5.5	3.9
Kansas City, Mo. ....	8	.9	.5	2	.9	.4
Los Angeles .....	12	1.0	.5			
Louisville .....	6	.3	.2	3	.4	.1
Minneapolis .....	7	.3	.2	3	1.9	.1
New Orleans .....	8	.6	.4	3	2.7	.3
New York .....	18	1.0	.3	8	3.1	.3
Philadelphia .....	19	.4	.2	9	2.2	.3
Pittsburgh .....	4	.3	.2	1	.1	.01
Portland, Ore. ....	2	.5	.3	5	5.1	1.9
Richmond, Va. ....	3	.5	.3	4	.7	.1
St. Louis .....	7	1.0	.6	2	1.7	1.6
San Francisco .....	3	1.3	.8			
Seattle .....	4	1.4	1.0			
Washington, D. C. ....	7	.4	.2	7	.8	.04
Totals .....	160	.6	.3	78	1.9	.3

Many forceful newspaper editorials from all over the country in support of the credit man are receiving the attention of *The Credit World*. In the June issue we published one clipped from the *San Diego Union* and here we are reprinting one that appeared in the *Ohio State Journal* recently and very kindly sent to *The Credit World* by Pierre D. Hale of the *Columbus Retail Merchants Credit Bureau*.

**Building Credit Reputation**

On the tenth of each month the Columbus Retail Merchants Credit Association sends a message to newspaper readers in the city, urging them to build up and protect their credit reputation by paying promptly their accounts at the local business houses. Those who fail to read the story contained in the credit advertising miss something of value. Those who read the story and heed the advice have no trouble with delinquent bills or resourceful collectors.

Credit reputation is a valuable possession for any man or woman. It does not belong only to those of large wealth. It can be the possession of the wage earner, the man on salary. It is built up through the years by prompt payment of bills, by faithful compliance with contracts. It is worth having. Those who jeopardize or destroy it have only themselves to blame for the serious handicap they must suffer.

It is well for the men and women to have charge accounts in the stores. Business houses are willing to meet those who wish to open such accounts, and, after a frank statement of facts, the applicant is given the accommodation desired. Once it is secured it should be protected, bills should be paid monthly. There is no greater nuisance to a business house than slow-paying customers, who permit their accounts to be over-due all the time. That sort of a record can get in the way of the individual and cause loss. Protection of one's credit, and that means merely prompt payment of bills, gives one a standing if there should come a day of misfortune, when friendly consideration from those to whom we are indebted would be a favor.

(Continued on page 42)

**Annual Volume Under \$7,000 Reported by Nearly Two-thirds of Radio Dealers**

Of the 10,533 radio dealers reporting to the Electrical Equipment Division of the Bureau of Foreign and Domestic Commerce on their volume of business in 1929, 64.71 per cent reported an annual volume of less than \$7,000. This group accounted for but 12.02 per cent of all sales reported for 1929, the remaining 35.29 per cent of dealers representing 87.98 per cent of total sales.

Over half the dealers reporting, 56.03 per cent, indicated sales under \$5,000 in 1929, their aggregate sales representing 8.31 per cent of total sales reported. That the majority of dealers reported such a small sales volume cannot be attributed wholly to the fact that only 19.6 per cent of those replying dealt in radios exclusively, as over one-fourth, 26.65 per cent, of these radio stores reporting had sales under \$5,000. These dealers' sales aggregated but 2.56 per cent of total sales reported by stores handling radios only.

The complete report on radio dealers' stocks as of January 1, 1930, and radio sales by geographical areas for the last quarter of 1929 and the entire year is available without charge from the Electrical Equipment Division.



## A Community Credit Policy

(Continued from page 34)

Another responsible factor is the installment situation. There has been a tendency for open-book accounts to become installment accounts, or rather, open accounts being paid as if they were installment accounts.

Installment selling has unquestionably contributed to the uplift of the individual and made it possible for the average person to enjoy more of the goods of life than he has ever enjoyed before. However, installment methods of paying tend naturally toward thinking of the future—of paying for the use of present needs out of future income, and thus the habit of making periodic payments has aggravated the condition of low collection turn-over by creating unsatisfactory habits of pay. Then, too, there are dangers lurking in the system which must be eliminated such as the extension of credit without regard for any principles of sound credit. This kind of installment credit inevitably brings disaster, as does the unwise extension of every other kind of credit.

The lack of a uniform collection system by the stores as regards the time at which the initial payment should be made and the periods between subsequent follow-up is a problem worthy of consideration.

Store policy could be recognized and still be able to enforce a strict collection policy. There need not be uniform terms—but uniformly enforced terms.

If the time-honored thirty-day account is to be saved and the terms enforced it calls for an immediate community credit decision and action, supplemented by the education of the buying public that thirty-day accounts must be recognized and paid as such.

It is advocated in a general sense that terms upon which credit is extended shall be thirty days and the paying period to be from the first to the fifteenth of the month for purchases made for the previous month, which means that open credit shall not be advertised on any other than a thirty-day basis.

And as a further measure of store protection there should be a closer co-operation with the credit bureau and an understanding with different member stores to clear the names of every applicant for credit

through the bureau and where it is found that an applicant has had unsatisfactory dealings with another store, the account should be forthwith declined, or at least until an adjustment has been made to the satisfaction of the store.

By uniformly adopting such an arrangement and standardizing this method of procedure the effect would be to discourage the credit seeker from shopping one merchant against the other, to the detriment of both—that it would be impossible to open a new account while still owing a delinquent bill at another store.

That such a policy can be enforced without any appreciable loss of volume and at the same time retain the good will of the customer has been definitely proven in other communities as feasible and practicable.

Unquestionably many of the problems existing in retail credits could be cleared up by a process of education. Credit is not cheapened by acquainting patrons with the desirability of the charge account, but rather by permitting an abuse of terms once the account is opened.

The present-day shopper could be made to realize the value of a good credit record, that it is decidedly unfair and unjust to the pay-prompt customer to be obliged to share the extra expense caused by credit losses due to long term credit, merchandise returns and extravagant service features.

The great majority of shoppers are fair-minded and reasonable and would, without question, meet the merchant more than half way if the situation were clearly understood.

The time is rapidly approaching when the retail merchant and the buying public will get together to their mutual benefit in minimizing many of their perplexing problems. Indeed, this educational process could well be extended to include members of the credit fraternity, those who are still clinging to the old-fashioned, obsolete method of securing information—the "direct inquiry." The use of direct inquiry must be eliminated entirely if unbiased and impartial reports concerning the pay habits of prospective customers are to be obtained.

Then again, there are those stores that persist in practice of permitting their customers to pur-

chase merchandise at the present and not billing them until a later date.

By flaunting the idea that merchandise can be secured, worn and used several months before it is billed and probably several months more before the account is paid—all this without any apparent charge whatsoever—is to misrepresent the elementary principles of economics and finance; destroy common sense and the respect and character of the buying public, upon which, the safety of the credit structure rests. If the sanctity of modern credit is not to be robbed of that dignity and reverence which is its fundamental, then it is incumbent that all insidious and unethical practices be cast aside and replaced by uniform standardized credit methods, intelligently applied.

No subject today occupies so many great minds as the problems of retail credit; much time and attention has been given to a scientific study of these problems, and as a result, local credit leaders have been consistently and constructively working to bring about the elimination of terms competition and the establishment of a sound community credit policy.

A community credit policy, simply means the adoption of rules for the government of credit extension by the merchants of the community and who agree to adhere to terms on open accounts, down payments and time limits on installment accounts and collection procedure. It in no way detracts from each dealer's prerogative to operate his business according to his store's policy except he pledge himself to eradicate the curse of the retail trade—"competition in terms."

Such a policy put into general effect supported by honest co-operation would solve the collection problem and place retail business on a uniform, clean-cut solid foundation.

A progressive step in this direction was taken when, in 1927, a code of ethics was adopted by the National and the local Retail Credit Association setting forth a standard of practical idealism for the proper conduct of credit and the betterment of credit conditions and which, if conscientiously applied, is in reality, a forerunner to the early establishment of a sound, local community credit policy.

## A Story with a Moral

(Continued from page 31)

it has all been your husband's fault. How much did that bridge party cost?

Mary: I d-don't know. Why, what do you mean?

Attorney: You gave prizes, didn't you?

Mary: Yes.

Attorney: In your opinion, were they extravagant prizes?

Mary: Well, well (hesitates). No (defiantly). They were not extravagant prizes.

Attorney: You made some purchases at Rankins' the day before your bidge that cost you thirty dollars. Were these the prizes? Let me see, there was half a dozen cocktail glasses with—

Attorney for the Plaintiff: I object, your honor.

Judge: Objection overruled.

Attorney for the Defense: Those were the prizes?

Mary (hesitatingly): Ye-yes.

Attorney: You charged them?

Mary: Yes.

Attorney: You did not have a charge account there in your husband's name, but you ran one before you were married, and so you were given credit again. Is that so?

Mary (with airs): Well, our family has dealt with Rankins' for years and years.

Attorney: Your father always paid his bills?

Mary: Oh, yes.

Attorney: He was rich?

Mary: Oh, yes.

Attorney: But your husband only earns \$55.00 per week.

Mary: Yes, but he spends a dollar every day on his lunch and his manicures and head rubs and retains a bootlegger.

(Laughter.)

Bailiff: Order in the courtroom.

Attorney: And so the grocer finally left the refreshments.

Mary: Yes.

Attorney: There were just two tables of bridge. All old friends, I suppose?

Mary: Oh, yes.

Attorney: Did you need to entertain them so extravagantly?

Mary: I wasn't a bit extravagant.

Attorney: With your permission, your honor, I would like to present the grocer's bill for these refreshments and have it entered in the records. The total is \$15.42. That will be all, Mrs. Patterson.

Mr. Patterson, will you please take the stand?

Attorney for the Defense (continuing): You are the defendant in this case?

Tom: Yes, sir.

Attorney: You do not want a divorce?

Tom: No, sir.

Attorney: How much do you give your wife out of your weekly salary?

Tom: Well, I—I—give her all I can. It depends on what is needed. There is always some bills to meet.

Attorney: Have you ever refused your wife any reasonable demands?

Tom: No, sir.

Judge (interrupting): Unless the plaintiff gives further evidence of cruelty and non-support, I am prepared to make my judgment now, but first I would like to talk to these young people privately.

Attorney for the Plaintiff: But, your honor—

Judge: We will continue after I have talked to these young people.

Your little boy is in court, Mrs. Patterson. Get him; I want to see him, too.

(Music.)

Judge: Mrs. Patterson, divorce is a serious matter. Don't you think you should reconsider? Your husband loves you still. You have both made mistakes—and then there's this little chap. You expect to get him, of course, but I warn you, do not be so sure of that.

Mary: But he—I must—

Judge (interrupting): Yes, I know your husband has failed you. You have been humiliated and hurt by it, but don't you realize you have been—

Mary (breaking in with an angry sob in her voice): I won't stand it any longer. I don't have to. It's so indecent. All my friends have charge accounts. Why shouldn't I?

Judge: Quite right—quite right but you have shown yourself to be extravagant and your husband has proven himself to be careless. Now, it is my duty to determine what is the best thing for the child. He needs his father as well as his mother. I am tempted to dismiss this divorce petition and turn you both over to the parole office of my court. You young people are

not organized. You have no plan. You are living beyond your means. Mr. Patterson, I am going to give you a chance to re-establish yourself, regain your credit standing, your pride in yourself, and win back the esteem of your wife. But pay your bills promptly and don't buy more than you can reasonably pay for. Go and talk things over with the manager of the Merchants Bureau; arrange to pay a little at a time until they are all cleared up—but you must be regular. Storekeepers will treat you right. They want your credit business, but they want you to pay your bills when they are due. You can't run on and on in irresponsible indifference. They extend credit fairly as an accommodation to you. It's up to you to play fair with them and pay your bills when due. But you have drifted with your impulses, neglected your promises, and ruined your name. Mrs. Patterson, give him this chance. Forget your feelings. Help him. A wife can be a great help or a great hindrance to her husband. Will you try, Mrs. Patterson? Will you, Mr. Patterson?

Mary (weakly): Yes, I'll try.

Tom (eagerly): You bet I will.

Judge: That's fine.

(Music.)

These little dramas from "Life's Highway" come to you through the courtesy of the National Retail Credit Association over the X Broadcasting System. Every X evening at this time this program will come to you as a reminder that your good credit standing is a vital matter to your success, domestic happiness, and self esteem, and important to the economic welfare of the community in which you live.

It is a valuable thing to have a credit and a simple thing to keep it—a discouraging thing to be without. Two simple rules will help you: Buy only what you can pay for and pay your bills promptly when they are due.

By applying to your local station or writing direct to your local credit bureau or to the National Retail Credit Association, St. Louis, Missouri, you can get an interesting and helpful little booklet on "How to Use Credit to Your Best Advantage."

## Additional Business through Partial Payment Accounts

(Continued from page 36)

### Direct Mail That Won't Fail

The types of prospects for partial payment accounts may be divided into two classes, those refurnishing old homes, piece by piece and those furnishing new homes complete.

While you will reach large numbers of the first class of prospects through your newspaper campaign in order to do an intensive promotion job you will have to use direct mail. Check your delivery records. Find out the areas where you are making most of your bulk deliveries. Plan to get additional business through partial payment accounts. Compile the names and addresses of people in each section whose names do not appear on your Charge Account or general mailing list. Not a hard task! Use the telephone books as your basis of checking, taking the names of phones listed under the exchanges of the districts you want to cover. Develop your list according to your budget. Of course, you can use this same system in strengthening the districts where you are "weak" in bulk deliveries.

In the second class of prospects you will find people who are building new homes, the purchasers of new homes, renters of apartments and individual homes, engaged couples, applicants for marriage licenses, etc.

Your local hall of records or the county clerk's office offers you the source for the names of people applying for building permits, although a good many mailing list organizations, such as Dow of New York, will send you daily reports on state and county building operations. The names of the buyers of houses can be secured from the deed records in the county clerk's office—or you may be able to work out a co-operative arrangement with reliable real estate organizations and professional builders.

Rentals can be secured from realtors and apartment house superintendents. In the larger communities the annual checking of sectional telephone books will give the names of recent telephone installations, an evidence of recent movings. In some localities public service gas and electric offices will

co-operate in supplying new meter information.

Information about engagements can be secured through assigning a girl to clip local news from the daily and weekly newspapers in your territory. You might have this young lady contact with your beauty shop, trousseau department, engraving department, model apartment and travel bureau to secure "news" about young ladies soon to be married. Marriage license records, in most states, are an open book. It's not too late to write, about a partial payment account, to folks already married. Times have changed since grandma's time. Nowadays a goodly percentage of young married ladies, in the large cities, retain their business positions in order to help furnish their new homes.

What kind of direct mail copy? The answer to this question can best be found in the outline of the suggested mailing lists. Personalize your appeal. Talk about the joy of the new home when writing to home buyers and builders. Wish the bride-to-be happiness—but don't be over-gushing about it. Try to "sell" your store; its home furnishing merchandise and its home-making services in your letter. Let the literature you enclose handle the detailed explanation of your partial payment plan.

Plan your direct mail on a seasonable basis. Start your campaign on a definite date and end it on a definite date. A four-month test plan is a fair one: the knowledge you gain will be helpful in planning a longer campaign on larger budget. Start now and use your August furniture sale as "a climax event." You should end your campaign with a definite merchandise event in order to capitalize on the purely promotional literature you have sent in advance. Check your list and results against your expense and you will know how to proceed for your September-to-January direct mail effort.

### Don't Try to "Sell"—Just Tell

When it comes to issuing the folder or booklet explaining the details of your partial payment system take a tip from your friend the banker. Make this literature different from the average piece of advertising matter put out by a department store, furniture house or manufacturer. Design your folder or booklet simply to "tell."

Make it look like a piece of bank literature. Dignified!

Have your copy give the full list of the items that may be purchased on your plan. Show how the initial payments are arrived at—give a dollar and cents example, taking a \$100 purchase as a working basis.

Distribute this folder or booklet through your floor sales staff, credit office, floor managers, direct mail, model apartments and information desks.

### "It's More Than I Intended to Pay"

What do your salespeople say when the prospective customer says, "I like it but it's a little more than I intended to pay?" Do they suggest an account, a charge account, a partial payment account?

A check-up among metropolitan stores developed the information that most stores are permitting many, many sales to slip away because they have not planned a system to instruct sales people how to present the story of partial payments.

Plan a series of meetings to handle this situation. Have your credit office explain their end of the transaction. Let your floor managers instruct in the handling of sales checks, etc. Take away the mystery angle from partial payments as far as your sales people are concerned. Let them know that an application for a partial payment account gives the same information as an applicant for a charge account. Give the partial payment idea more prestige. The people who use partial payment accounts are helping to build the nation. They're honest and reliable. The bad debt loss, on partial payments, in 38,000 stores in the United States last year was only 1.2 per cent according to the recent survey of the Department of Commerce.

Look at the Saturday afternoon crowds, in the model apartments and display rooms of the large stores, and you'll find "the younger element" well represented. Engaged couples! Newlyweds! Business girls! All hunting for ideas in home-making. Sell them the partial payment idea through your model apartment. Your wall signs (typewritten, easy to change, under glass) can show how to budget future incomes to possess furniture,

(Continued on page 45)



## Your Collections

... IN ...

## DETROIT

will receive the best attention possible if sent to

### The Merchants Credit Bureau, Inc.

The largest collection department in the city devoted exclusively to

#### RETAIL ACCOUNTS

The benefits accruing in placing your accounts with an organization owned by the merchants, for their protection, are self-evident.

Rates Reasonable . . .

. . . Safety Assured

ADDRESS:

**Merchants Bldg.**  
206 E. Grand River Avenue

## Chicago Collections

should be sent to the

### Credit Service Corporation

Collection Department of the Chicago Credit Bureau, Inc., and Credit Reference Exchange, Inc.

The Official Credit Reporting Service of the

#### ASSOCIATED RETAIL CREDIT MEN of CHICAGO

35 South Dearborn St.  
Chicago, Ill.

Telephone, Randolph 2400

Credit Reports Collections

## Building Credit Reputation

(Continued from page 38)

Each time when business slackens and conditions are less than satisfactory there are some who take advantage of that fact to become slow-pay customers, even though they have ample funds. That is wrong conduct and reacts, ultimately, on the individual. Monthly bills should be paid on time by each individual able to meet them. If for any good reason there must be a delay, one will find courteous consideration, if past payments have been handled promptly. Protection of personal business credit is one of the most important tasks the individual can have.



## Minneapolis Collects

(Continued from page 27)

various groups on the work of keeping credit records, something of the romance of the task of credit granting, and of the needs of prompt payment. There will also be stress laid on care in selecting merchandise so as to avoid unnecessary returns. Advertising for the purpose of reducing merchandise returns has been started in conjunction with the "pay your bills promptly" campaign.

To this educational campaign Minneapolis gives much credit for its high collection percentages. A large amount of money, otherwise uselessly idle, is put to work by payment of bills when due. Customers feel free to buy more readily when their bills are cleared. Prompt collections may be made in Minneapolis without offense because the people have been educated to know when payment is expected.



## The Veering Flaw

(Continued from page 22)

business disciples have stated that the present era will be with us for the winter and spring season, with diminishing signs of sluggishness. As it took some months to get into the movement, it will likely require a similar period to emerge completely from it. But the most reassuring knowledge is that we are moving each day toward the open, getting out of the rough as it were.

## Dr. Julius Klein's Ten Commandments for Business Men

(Continued from page 35)

8. *Watch Styles*—Face and solve the problem of style changes—study style barometers as the ship captain and air pilot study the weather barometers—for safety's sake.

9. *Co-operate*—Make use of every facility of present-day co-operation and teamwork in distribution; remember, this problem is no longer for the individual to solve entirely alone.

10. *Keep Better Records*—Use them in solving the problems of each department; not the number of hairs on the head, but whether or not they grow, is important.



## More and Better Education Must Aid the Extension of Credit

(Continued from page 26)

well as an economic imperative on prompt payments at the same time that it promises social and economic satisfaction when prompt and complete payments are habitually made.

It necessitates the readjustment of old habits and the forming of new ones. Consequently, appeals must be made first which tend to awaken and accentuate feelings of inadequacy and insecurity on the basis on which the inertia of the present habits and attitudes toward payment of obligations depends, and then a positive educational procedure should follow.



## Credit and Collection Executive

*Versed in Sales Management Office Management, and Sales Promotion, desires connection with large firm in an executive or administrative capacity. Excellent organizer and system man with proven record of years of experience. Write Box 120, The Credit World.*

# Two Cents for Your Collections

By

L. K. MAC EWEN

WHO is the best collector and what method of collection brings the best results for the retailer? Uncle Sam is the best collector and collecting by mail brings the best results. This is the answer to the question just asked and from all sides you can hear the wise ones saying, "Taint so." It would be folly to make such a broad statement without anything to back it up of course, and so the backing is submitted herewith.

Let's get at the theory first. Many incredulous collection managers will be at least mildly curious as to what makes the writer feel that way and the old school of "pavement pounders" and "bell pushers" will be frank in asking, "How do you get that way?" A little reflection on the idea behind the assertion may make the stand seem a little more reasonable at least as a theory.

In the first place, the efficient thing is the one which performs the service required the most economically. It follows without proof that many, many more debtors can be reached in a day by letter at minimum cost than can be called on by the collector whether he travels by car, bicycle or on foot. And surely no one will argue the point that the message delivered by the postman lands practically 100 per cent, while the collector finds many who are out. Many are always "out" to the collector, but not to the man who delivers the mail.

Thus far, it is hoped, you will agree. However, we have only concerned ourselves up to now with the mechanics of the proposition. Right here the cost accountant statistician may step up and say that no letter can be written and mailed for less than twenty or twenty-five cents. Very true. Twenty cents would be an absolute minimum, and that is not so cheap on a small account of only a few dollars. But it is not necessary to write a special letter

on the great majority of these items. A well filled-in form letter does just as well and even printed forms sent under 1½ cent postage produce remarkable results. An apt reminder, keeping the obligation before the guilty one, is just as effective or even more so than a more or less prolonged pleading or admonishing in an attempt to get under his skin. This is not theory, but a conclusion based on years of experiment.

Giving all due credit to the best personal collectors in the world, you can consistently put many times more dignity into the printed word than Nature has ever bestowed on any bell pusher. Why? Because your debtor cannot offer an excuse or hand an alibi to the black and white message delivered by your mail carrier. Effective letters or notes which have brought in the bacon can be preserved and used with no diminishing force regardless of the weather, or the day of the week, or what happened the night before. The personal "retriever" with the hound-dog complex may have a hang-over now and then, he may have a new baby at his home, or he might just get the dumps from an ingrained and left-handed temperament. On any occasion like one of these he "just ain't there" in putting it across. Not so with the inky missive conceived and produced in the quietness of your own best thoughts where the eye of your prospective prey cannot see.

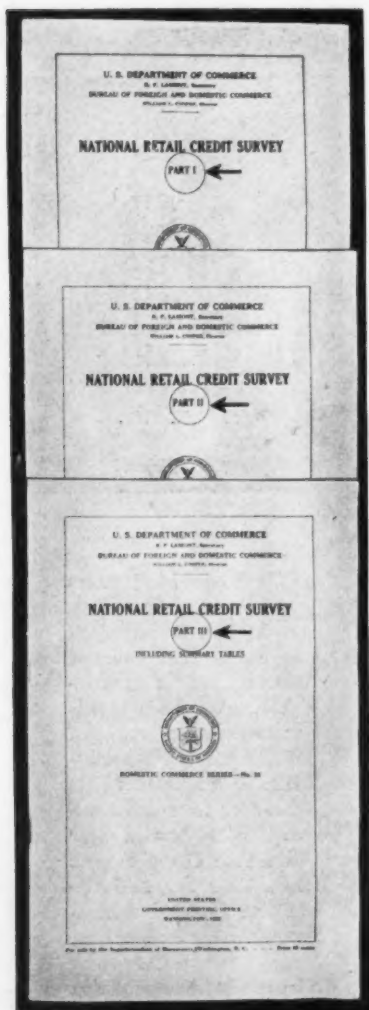
The psychologists tell us there are active personalities and passive personalities. The passive ones may become rather active at times and vice versa. Then, too, there are greater and lesser degrees of active and passive. In a day's journey the collector will run across a number of the real active and decidedly positive ones who never appear at a disadvantage and his best efforts have little or no effect on them. The results then depend more or less on the debtor's will-



THE grizzled sales manager can spot, at a glance, an extra ante in the swindle sheet. He is reasonable, too, about legitimate expense accounts. In Philadelphia, for instance, he knows that three or four dollars a day will buy a star salesman the comforts of a king . . . Here at the Hotel Pennsylvania, near the trains, but 10 minutes away from the dust and din are garage facilities, unrestricted parking area, good food in the Coffee Shop or main dining room; and a fresh cool river-blown breeze to tone up the travel tired . . . Yes, sir, . . . The Pennsylvania is a little more like home. Ask the sales manager . . . he knows.

DANIEL CRAWFORD, Jr., Mgr.

**HOTEL  
PENNSYLVANIA**  
39TH & CHESTNUT ST. PHILADELPHIA.



## The National Retail Credit Survey Now Available in All Parts

The entire report on this survey made by the U. S. Dept. of Commerce is published in three sections. Part I covers department stores and stores specializing in women's, children's and infants' apparel, men's and boys' clothing, fur goods, boots and shoes, general clothing, furniture and dry goods. Part II—Retail stores handling automobiles, automobile accessories, groceries, bakery products, radio sets and supplies, electrical appliances, jewelry and optical goods. Part III—Retail establishments distributing hardware, coal and wood, lumber and building material, paint, oil and varnish, plumbing and heating fixtures, stoves and ranges and house furnishings. In addition, Part III includes summary tables covering all types of retail stores. These bulletins may be secured from the National Retail Credit Association, St. Louis, at

1218 Olive Street, St. Louis, Mo.  
 Name.....  
 Address.....  
 Please send me  
 Parts I, II, III

**10c**  
 Each

ingness to pay and not on the impression made by the boy with the strong arches. There is, on the other hand, no one under whose skin you cannot get with a letter or note where the meat of the message is clear-cut and to the point with no hint of a grin or an apologetic attitude.

All collectors will agree that the best way to collect an account, like achieving success in any other field, is by sticking to it. After this the introduction of the elements of curiosity or surprise are the big factors in filling the old till. Sooner or later the chronic slow payer gets used to the personality of the average collector who calls on him each week and he knows all the ordinary gags by heart. With a little study, the long-range collector who fights with ink and paper can become an artist in words, thereby making this debtor the butt of his collection experiments and plans. And, no matter how heavy the message. Uncle Sam will carry it for two cents and bring it back if the bird has flown.

Even if the postage rates were raised it would pay you to stick to the mail man. He is the best personal collector.

## Stop the Bankrupt Racketeering

(Clipping from East St. Louis Journal, August 24, 1930)

Looking upon bankruptcy as a form of racketeering, federal officials in the New York district have set about to determine how the laws may be changed to save a portion of the seven hundred and fifty million dollars per annum that is going into the loss column. President Hoover is co-operating with the investigators and there is much hope for results that will partially, at least, restore honesty to its proper place and enable the courts to force payment of accounts that were contracted by the bankrupt who entertained the idea of filing his petition in the federal court just as soon as his credit was exhausted.

"Bankruptcies have become a form of racketeering," says the

Brooklyn Daily Eagle. It has been found that the country has paid out three billion dollars in the last five years to these racketeers. It has been learned that creditors recovered but 8.19 per cent on assets from New York bankrupts. The same percentages would probably hold in other localities. Solicitor-General Thaler has declared "the situation demands fundamental changes in the law and congressional action to that end will soon be demanded."

These are present developments in the bankrupt law that has heretofore been called to public attention by *The Journal*. A few years ago, bankruptcy cases were comparatively few and far between. Only unfortunate business ventures were found among them. Today, there are private citizens who can blame their bankruptcy petition on the purchase of luxuries and who are not in debt beyond the possible limit of making restitution, yet they seek annihilation of their just debts at the hands of a court which is bound by regulations that ought to be changed. Men who have honestly failed in business, who have convinced bankers and creditors that their misfortune was one which they could not escape, deserve the protection of the law. All others are not entitled to that same degree of consideration. Only a change in the laws will relieve the courts of the bankruptcy farce that is now passing through them.

"In England and Canada," Solicitor-General Thaler says, "a bankrupt is considered a menace to the commercial community and is never discharged until he has paid his liabilities in full, but under our practices now, we examine a bankrupt in private, we discharge him in private, give him a slap on the back and tell him to go do it again."

The screws on those who are imposters before the law should be tightened. It is time that federal authorities discern the true condition and proceed to apply some remedy that will answer the purpose for which the original bankrupt laws were placed on the statute books—a protection to the honest man who has been a victim of misfortune, and not a boon to the debtor who finds himself swamped by unnecessary obligations which he could not, even if he would, discharge.



## Additional Business through Partial Payment Accounts

(Continued from page 41)

lamps, rugs, kitchen appliances and labor-saving devices.

Plan a series of home-making and budget talks in your apartment just before June. Schedule at least one of the talks for 12:30 in order that business girls may attend. Give real information on how to select furnishings; plan color schemes, make draperies—and end each talk with a presentation of the partial payment idea from a budget standpoint.

Dramatize your model apartment so as to secure the interest of home makers, young and old. Work out a plan of co-operation with local high school authorities to use your model apartment for "a laboratory" for their classes in art appreciation. Let the students visit your home furnishing departments at definite periods. Offer a prize to student or class working out best plan of decoration, based on their studies and the furnishings in your store. Develop an essay contest on the budgeting of expenditures for home improvement. Women's clubs, too! Let the winners furnish your apartment for a three weeks' showing. You'll get free publicity through school publications and newspapers.

—and After the Accounts are Opened!

Write each new account a "thank you" letter. Let them know you appreciate their patronage—and point out the other home items that they may add to their accounts. Plan your system of "follow-ups" so as to write again after one-half of account has been paid. Notify thirty days before closing—specifying the items that may be purchased. This will mean that you will write each account three times during eight to ten months for additional business. Plan copy carefully.

Follow up each account after it is closed—to reopen a partial payment account . . . or a charge account! . . . or for cash business. Plan to use these names when you put out mailings of circulars for your furniture, rug, house furnishings, electrical appliances and radio sales.

Interest your interior decorators in the partial payment idea! Secure the co-operation of manufacturers' salesmen and demon-

strators! Co-ordinate all your promotional efforts in one department—call it the home-makers' bureau or the better homes bureau . . . a central point where information may be secured on interior decoration, budgeting, household science! All of these factors will help you to open partial accounts, add charge accounts and secure cash business, too.

## Credit and Collection Policies

(Continued from page 29)

Operators were asked whether they employed collection agencies in connection with accounts past due. Answers were received from 403 concerns. Two hundred and sixty-five of the line yards and 63 of the independent yards declared emphatically that they do not resort to special collection agents. Of the 48 line and 17 independent yards which do employ collection agencies of one kind or another, the majority report only doubtful success with the plan. Four line and six independent yards state that they occasionally turn over a few accounts to attorneys in the hope that the mere threat of legal action will stimulate settlement.

## Clearing House Plan for Installment Sales

(Continued from page 33)

his customers' commitments under other installment agreements.

What is more important to the business man, is that he will be able to find out whether his customers have faithfully carried out their obligations under earlier installment plan agreements; for the clearing house will be in a position to obtain information from any of its members, and will pass this information to others.

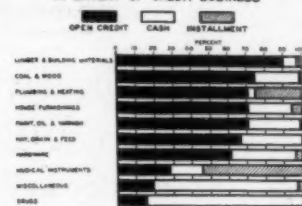
In order to prevent the trade secrets of one firm from becoming known to another firm all information will pass through the clearing house, and the whole system will be as reliable and confidential as that of the clearing house of banks.

The clearing house register will begin with a list of more than a million names.

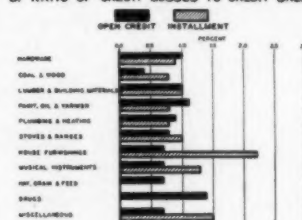
An arbitration committee will be formed to consider all questions affecting installment rates, whether between trader and trader or between customer and trader.

### GRAPHIC REVIEW OF THE NATIONAL RETAIL CREDIT SURVEY PART III

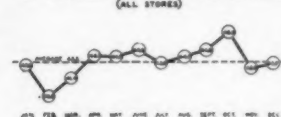
#### A. EXTENT OF CREDIT BUSINESS



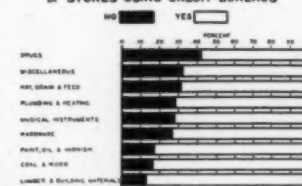
#### B. RATIO OF CREDIT LOSSES TO CREDIT SALES



#### C. MONTHLY COLLECTION PERCENTAGES (ALL STORES)



#### D. STORES USING CREDIT BUREAUS



## Charts on the National Retail Credit Survey are Available

IN THREE PARTS

Interesting clear graphic charts illustrating for your quick convenience the most important findings of the United States Department of Commerce survey on the National Retail Credit conditions have been prepared by the National Retail Credit Association and are now available in three parts. These charts define so clearly the important high-lights of the survey that you will find them of inestimable value in helping you to grasp at a glance the things you really ought to know—Chart I for department stores, general clothing stores, shoe stores, fur goods stores, dry goods stores and furniture stores; Chart II, A and B parts for grocery stores, bakeries, radio stores, jewelry stores, optical goods stores, electrical stores and automobile dealers; Chart III for home equipment dealers, fuel and home heating and hardware stores.

**10c**  
Each

National Retail Credit Survey (Charts),  
1218 Olive Street, St. Louis, Mo.  
Name.....  
Address.....  
Please send me  
Charts I, II, III

**Buy Freely—  
Pay Bills Promptly—  
The Way to Better Times!**

**L**EADERS of the Nation are agreed that unstinted buying and prompt payment of bills would quickly restore national prosperity.

Increased buying creates immediate demand for raw materials and manufactured products. Increased employment quickly follows.

Paying retail bills promptly keeps money in circulation, enabling merchant, manufacturer and worker, each in turn, to pay his bills promptly. Everyone benefits!

*Use your charge account freely and pay each month's bill promptly—that's the way to prosperity!*

**National Retail Credit  
Association**

Executive Offices



St. Louis, Mo.



250,000 of the above Statement Enclosures were sold in three weeks. This is an action-impelling enclosure positive in its appeal, suggesting logically the way to prosperity and authenticated by a recent statement of Calvin Coolidge secure in the confidence of millions of people who are reading his statement in the daily press.

**Enclose One with Every Statement  
\$2.50 Per Thousand**

(20 per cent discount on 500 or more)

Send in your order NOW before they are all gone

**National Retail Credit Association**  
1218 Olive Street, St. Louis, Mo.

# Credit Education Inserts

TO PROMOTE CUSTOMER-  
UNDERSTANDING OF CREDIT

The inserts reproduced below will help you to overcome the public's lack of credit-understanding—providing convenient, inexpensive "prompt-pay" messages that you can enclose with all your statements and collection letters.

## INOFFENSIVE

In polite wording they show the customer THE ADVANTAGE OF PAYING PROMPTLY. You can enclose them with all your statements without fear of offending anyone.

Six inserts in the series—printed in two colors: Borders and initials in red, balance in black. Size  $3\frac{1}{8} \times 6$  inches, to fit statement envelopes.

Prices: \$2.50 per thousand—\$2.00 a thousand in lots of 5000 or more. Postpaid

**NATIONAL RETAIL CREDIT ASSOCIATION**

1218 Olive Street, SAINT LOUIS



## I am the Foundation of Prosperity!

**I** AM the lifeblood of business—the buying medium of millions of consumers.

I keep the industries of the nation at work, providing employment for everyone.

I am the wheel of finance, providing a steady flow of income to the worker, the merchant, the manufacturer, and back again to the worker.

I am the foundation of prosperity—

### I AM CREDIT!

Help keep the nation prosperous—pay retail bills promptly.

**National Retail Credit Association**

Executive  
Offices

Saint  
Louis

## "O.K."— What it means

**T**HAT little notation, "O.K.", on your charge slips, is the badge of honor of the retail charge account.

It means that your credit is good—that you pay your bills promptly and according to promises.

It means that the merchant has confidence in your integrity.

"O.K." is the index of your credit record. Protect it and preserve it—pay retail bills promptly.

**National Retail Credit Association**

\* Executive  
Offices

Saint  
Louis

## Credit is Faith in Humanity

**C**REDIT—derived from the Latin credo: I believe—is based on faith—faith in people—faith in their character and determination to, as Emerson says, "pay every debt as if God wrote the bill!"

And he who justifies that faith, who pays his bills according to terms and promises, builds a credit record that is priceless.

Credit, never abused, is never refused. Pay retail bills promptly.

**National Retail Credit Association**

Executive  
Offices

Saint  
Louis

## Like the Sterling Mark on Silver!

**A** GOOD credit record is like the "Sterling" mark on silver—identifying its possessor as one of sterling character.

Your credit record—your credit standing in your community—is the measuring line by which you are judged, especially by those in business.

"Pays promptly" is an identification mark of unquestioned integrity—like the "Sterling" mark on silver.

Prompt payment of retail bills—on the 10th of each month—is the foundation of a high credit record.

**National Retail Credit Association**

Executive  
Offices

Saint  
Louis

## The "Who's Who" of Business

**N**OT all of us have our names recorded in "Who's Who" or the Social Register but—

All of us, whether in high or low estate, are catalogued in the "Who's Who" of Business—the records of the Retail Credit Bureau.

Here on a little card is kept the life history of your credit record—of how you meet your obligations or don't.

"Prompt Pay," the highest tribute in the "Who's Who" of Business, is the record of those who pay retail bills on the 10th of each month.

**National Retail Credit Association**

Executive  
Offices

Saint  
Louis

## The 10th of the Month Is Merchants' Pay Day!

**T**HE retail merchant is a public servant. He serves you faithfully and well and, like any other faithful servant, expects his payment when due.

Retail charge accounts today are based on standard monthly terms:

Each month's charges are due on the 10th of the following month.

Whether you are an employer or an employee, you know what "pay day" means!

The 10th is the merchant's pay day. Pay him promptly. Prompt payments promote prosperity and protect your credit.

**National Retail Credit Association**

Executive  
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Louis



## REMINGTON RAND DESIGNS FURNITURE FOR SPECIAL PURPOSES

### New Steel Desk for Fanfold Machine Work

DEVELOPMENT of the fanfold idea for the handling of various record forms has been a marked factor in speeding many bookkeeping and accounting processes. Furniture, to enable a convenient handling of this valuable operation has undoubtedly lagged behind. In the past, it has been customary to give up a great deal of floor space to the fanfold operator, with two unsatisfactory results. In some instances, the uniform appearance of the office layout was rudely interrupted by the insertion of fanfold machine stands with bulky form baskets, among well designed, compact desks. In other offices, in an effort to preserve the desk harmony, the fanfold stands or other apparatus for the fanfold operation have been allotted space in sections of the office that were really unsuited to convenient and speedy handling of the fanfold work.

This economical new Remington Rand Desk is structurally as rugged as office furniture can be. It is made from suitable weights of fine steel, amply reinforced to secure the highest degree of rigidity and permanence. Drawers, sliding shelves, form magazine—all are suspended in such a manner as to secure the greatest ease and convenience for the specific use for which the desk was designed. Steel construction properly carried out, assures that the ease of operation will be unchanged after years of service.

The Fanfold Desk is a desk. Therefore, it permits fanfold machine operation to take its rightful and most convenient place in the regular desk line of any office. And, being properly designed for the purpose, it accomplishes the task of bringing the operation into a compact amount of floor space.

The desk stands but 25 inches in height, a most efficient location for machine, papers and other incidentals. The desk top, of heavy battleship linoleum, bronze bound, measures 42 inches in

### New Remington Rand Systems Modernize Vertical Filing

length by 32 inches in depth. The magazine may be withdrawn from its protective place under and completely within the limits of the desk top, but in actual use will require but a few inches more of the valuable floor space than the desk does when inactive. This magazine not only houses an ample supply of forms, but provides a place for large carbon reserve.

The drawer at the right of the operator is a convenient and amply large compartment for small supplies and personal belongings. A sliding shelf adds 147 square inches of working top when needed.

Finished in standard olive green, with hardware of statuary bronze, this desk will make a fine appearance in any business setting at a modest cost.

Two new revolutionary methods of indexing and vertical filing, flexible to meet economically the in-

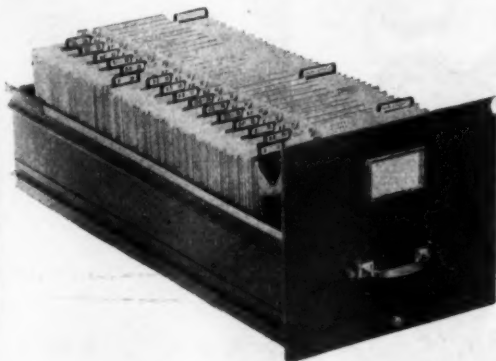
creasing complexity of present day files and lists and providing new speed through use of color, have been perfected by Remington Rand Business Service, Inc.

They are:

1. Variadex—A new direct expanding index, offered in letter, bill and legal sizes. In general plan of tab positions, this system is similar to direct alphabetic. It maintains the familiar sectional arrangement for guides, individual and miscellaneous folders.

2. Triple Check Automatic—A new arrangement of captions and subdivisions so that they become automatic in operation. Of all filing systems this is unquestionably the speediest and most economical. Color provides a third check for accuracy.

These two new systems utilize new captions and follow scientific principles never before recognized in American indexing. Months of measuring work and tabulations obtained the facts for these captions. Both of these systems provide flexibility and expansion to provide for growing and complex lists in a practical and economical manner. Either can be started with a small list and increased scientifically.



*For modern vertical filing*

*New steel desk for Fanfold machine work*



—Advertisement

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